canada life™

The Canada Life Assurance Company

2021 Annual report

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of Canada Life, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This report may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, climate-related goals, diversity, equity and inclusion strategies, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected cost, benefits, timing of integration activities and revenue and expense synergies of acquisitions and divestitures, expected capital management activities and use of capital, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities and solutions), the impact of regulatory developments on the Company's business strategy and growth objectives, the expected impact of the current pandemic health event resulting from the coronavirus (COVID-19) and related economic and market impacts on the Company's business operations, financial results and financial condition.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, the severity, magnitude and impact of the COVID-19 pandemic (including the effects of the COVID-19 pandemic and the effects of governments' and other businesses' responses to the COVID-19 pandemic on the economy and the Company's financial results, financial condition and operations), the duration of COVID-19 impacts and the availability and adoption of vaccines, the effectiveness of vaccines, the emergence of COVID-19 variants, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, customer behaviour (including customer response to new products), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company's investment portfolio), business competition, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, changes in actuarial standards, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and other general economic, political and market factors in North America and internationally. In addition, as we work to advance our climate goals, external factors outside of Canada Life's reasonable control may act as constraints on their achievement, including varying decarbonization efforts across economies, the need for thoughtful climate policies around the world, more and better data, reasonably supported methodologies, technological advancements, the evolution of consumer behavior, the challenges of balancing interim emissions goals with an orderly and just transition, and other significant considerations such as legal and regulatory obligations.

The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in filings with securities regulators, including factors set out in the Company's Management's Discussion and Analysis for the year ended December 31, 2021 under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-GAAP FINANCIAL MEASURES

This report contains some non-GAAP financial measures as defined in National Instrument 52-112 "Non-GAAP and Other Financial Measures Disclosure". Terms by which non-GAAP financial measures are identified include, but are not limited to, "premiums and deposits", "assets under management" and "assets under administration". Non-GAAP financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable GAAP (IFRS) measure exists. However, non-GAAP financial measures do not have standard meanings prescribed by GAAP (IFRS) and are not directly comparable to similar measures used by other companies. Refer to the "Non-GAAP Financial Measures" section in the Company's Management's Discussion and Analysis for the year ended December 31, 2021 for the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP as well as additional details on each measure.

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About The Canada Life Assurance Company

17+ million	Customer relationships	$1.4 billion	Dividends paid out to participating policyholders
40,000+	Advisor relationships supporting our customers	$42+ billion	Net policyholder benefits, dividends and experience refunds paid to customers
17,000+	Employees supporting our customers	$11.4 million	Contributed to communities

For more than 170 years, our customers have trusted us to provide for their financial security needs and to deliver on the promises we have made. The Canada Life Assurance Company provides insurance, wealth management and healthcare benefit products and services in Canada, the United Kingdom, Isle of Man and Germany, and in Ireland through Irish Life.

In Canada

We're focused on improving the financial, physical and mental well-being of Canadians. That commitment is built on the dedication, skill and energy of our employees and financial security advisors and their commitment to our customers and to our communities.

We are committed to putting the customer first – whether handling policy claims, growing and protecting customers' retirement and investment savings, providing workplace mental health support for employers or helping build strong communities by investing in community projects.

In 2021 our company in Canada:

- Helped families cope with loss, paying out more than $6.3 billion in life and health insurance benefits.
- Made approximately $1.8 billion in payments for over 110,000 people who became disabled and could no longer work.
- Made $947 million in annuity payments, helping Canadians fund their retirement with a secure income stream.
- Helped over 27,800 employers provide benefits plans and more than 10,500 employers offer retirement savings plans for their employees.

A leading international insurer

As an international insurer, Canada Life operates not only in Canada but in the United Kingdom (U.K.), Isle of Man, Germany, and in Ireland through Irish Life.

With a regional focus, the company delivers financial security and wellness products by reaching a broad range of customers with workplace-delivered advice and solutions. This strategy complements capabilities in advice and wealth management, to serve a wide range of customer needs through strong affiliations with advisor networks across all regions.

Canada Life's approach to investment and asset management helps drive globally diversified and regionally delivered solutions to meet the needs of individual customers and institutional clients. The company's success in bulk annuities and reinsurance solutions for institutional clients is a testament to Canada Life's risk and capital expertise.

In the U.K., Canada Life's core products are guaranteed annuities, investments (including retirement drawdown and pension), individual protection, and group insurance. These products are distributed through financial advisors and employee benefit consultants. The international operations based in the Isle of Man and Ireland offer investment, savings, and individual protection products that are sold through financial advisors and private banks in the U.K. The core products offered by Irish Life are savings and investments, individual and group life insurance, health insurance, and pension products. These products are distributed through independent brokers, a direct sales force, and tied agent bank branches. Irish Life Health offers individual and corporate health plans, distributed through independent brokers and direct channels.

Canada Life offers reinsurance, providing customized risk and capital solutions to institutional clients through offices in the United States, Barbados, and Ireland.

Canada Life is a subsidiary of Great-West Lifeco Inc., and a member of the Power Corporation group of companies.

Directors' Report to Policyholders

Jeffrey Orr
Chair of the Board

Paul Mahon
President and Chief Executive Officer

We believe that to create sustainable value for policyholders, we must be committed to responding to the needs of all stakeholders. It's with this mindset that Canada Life delivered strong continued momentum and positive results in 2021.

As the ongoing global pandemic has continued to impact the lives of so many people, the health and safety of our customers, communities, advisors, and employees has remained central to everything we do. We're proud to have had the opportunity to support them through the challenges and deliver on the promises we've made.

A Commitment for a Better Future

Over the past year, Canada Life has demonstrated its strength and resilience to succeed in a rapidly changing world. At the same time, we recognize that 2021 put a spotlight on societal challenges that require our collective actions.

These include the ongoing pandemic threatening both the health and economic well-being of so many people, the urgent need for climate action, and social injustices like the tragic legacy of residential schools in Canada and systemic racism present in many institutions and societies.

We recognize that we have a responsibility to our stakeholders to help address these challenges. We also recognize that by responding to these challenges, we will create a stronger and more resilient company. This begins by making values-based decisions on how we operate and impact our world. As part of this, we're thoughtfully developing and implementing strategies in support of the environment, diversity, equity & inclusion, and sustainability across our organization.

Our Diversification and Value Creation Strategy for Growth

During 2021, the acquisitions of ClaimSecure in Canada through Canada Life, and Ark Life in Ireland by Irish Life, have helped to advance our value-creation priorities and accelerate our growth. This growth and investment is enhancing our market leadership positions, strengthening our trusted brands, and creating greater resilience in support of future growth.

We believe that effective delivery of advice is key to creating lifetime value for our millions of customers. It's with this focus that we've been strengthening traditional advisor channels and working to extend our reach. Furthermore, digitally enabled platforms, tools, and processes are core to our ability to meet the lifetime advice needs of our customers across all channels. The pandemic has accelerated a shift to digitally delivered service and digitally enabled advice across our businesses.

As a leading provider of workplace benefits and retirement solutions, we regularly connect with millions of customers through multiple service channels. Many of these customers represent under-advised segments of the market that are seeking more personalized guidance and advice around their financial, physical, and mental wellness. It is with this need in mind that we view the workplace as a platform to build digitally enabled lifetime customer relationships.

Core to our ability to deliver lifetime advice and solutions across multiple channels is our financial strength and expertise. Our exceptional people are working collaboratively to employ our expertise to create competitive and profitable wealth management and insurance solutions for customers.

Looking ahead

Moving into 2022, we remain focused on execution of our strategies to create greater value for all stakeholders. This will include continued discipline in deployment of capital and advancing our commitment to making a positive impact on the world around us, especially related to the environment, diversity, equity & inclusion, and sustainability.

Amid challenge and change, Canada Life is well-placed to deliver on our commitments and create value for policyholders. In business, and across our world, we can do more together.

Corporate governance

We understand that good corporate governance is important. Effective governance is key to creating consistently strong long-term performance and for developing positive outcomes for our policyholders, customers, employees and for the communities in which we operate. At our 2021 Annual Meeting we announced the retirement of three of our long-standing directors: J. David A. Jackson, Jerome J. Selitto and James M. Singh. We thank Messrs. Jackson, Selitto, and Singh for their years of dedicated service.

Thank you

We'd like to extend our sincere thanks to our employees and advisors for their dedication, as well as to our customers and policyholders for your confidence in us. We're proud of the strong relationships we've built and look forward to delivering on our promises.

Jeffrey Orr
Chair of the Board

Paul Mahon
President and
Chief Executive Officer

Financial Highlights (unaudited)

(in Canadian $ millions except per share amounts)

As at and for the years ended December 31	2021	2020
Summary of net earnings attributable to:		
Participating account [1]		
Net earnings before policyholder dividend	**$ 1,708**	$ 1,429
Policyholder dividends	**1,405**	1,362
Net earnings – participating account [1]	**303**	67
Common shareholder [2]	**2,868**	2,807
Net earnings	**$ 3,171**	$ 2,874
Total net premiums	**$ 50,609**	$ 37,838
Total premiums and deposits [3]	**94,160**	80,094
Fee and other income	**3,414**	3,133
Net policyholder benefits, dividends and experience refunds	**42,319**	34,774
Total assets	**$ 426,404**	$ 396,290
Proprietary mutual funds and institutional assets [4]	**77,019**	74,045
Total assets under management [3]	**503,423**	470,335
Other assets under administration [4]	**29,957**	29,425
Total assets under administration [3]	**$ 533,380**	$ 499,760
Participating account surplus	**$ 3,126**	$ 2,858
Non-controlling interests	**26**	25
Shareholders' equity	**21,277**	20,174
Total equity	**$ 24,429**	$ 23,057
Book value per common share [5]	**$ 8,838**	$ 8,380
LICAT Ratio [6]	**124%**	129%

(1) The 2020 results for the participating account included restructuring costs of $18 million related to strategic initiatives in the Canada business unit.

(2) The 2020 results include a net gain of $143 million related to the sale of GLC Asset Management Group Ltd., a restructuring cost of $34 million related to strategic initiatives in the Canadian line of business and a net gain of $94 million post-tax related to the sale of Irish Progressive Services International Limited.

(3) This metric is a non-GAAP financial measure, does not have standard meanings prescribed by GAAP and is not directly comparable to similar measures used by other companies. Additional information regarding this non-GAAP financial measure, including a reconciliation of such non-GAAP financial measure to a measure prescribed by GAAP, is incorporated by reference herein and can be found in the Non-GAAP Financial Measures section of the Company's 2021 Annual MD&A, available for review under the Company's profile on SEDAR at www.sedar.com.

(4) Additional information regarding the composition of this financial measure has been incorporated by reference herein and can be found in the Glossary section of the Company's 2021 Annual MD&A, available for review under the Company's profile on SEDAR at www.sedar.com.

(5) This measure is calculated by dividing the Company's common shareholder's equity by the number of common shares outstanding at the end of the period.

(6) The Life Insurance Capital Adequacy Test (LICAT) Ratio is calculated in accordance with the Office of Superintendent of Financial Institutions' guideline - Life Insurance Capital Adequacy Test. Additional information regarding this financial measure has been incorporated by reference herein and can be found in the Capital Management and Adequacy section of the Company's 2021 Annual MD&A, available for review under the Company's profile on SEDAR at www.sedar.com.

Financial Reporting Responsibility

The consolidated financial statements are the responsibility of management and are prepared in accordance with International Financial Reporting Standards (IFRS), including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The consolidated financial statements necessarily include amounts that are based on management's best estimates. These estimates are based on careful judgments and have been properly reflected in the consolidated financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds and the results of its operations and its cash flows and the changes in assets of its segregated funds in accordance with IFRS, including the requirements of the Office of the Superintendent of Financial Institutions Canada.

In carrying out its responsibilities, management maintains appropriate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, including the requirements of the Office of the Superintendent of Financial Institutions Canada.

The consolidated financial statements were approved by the Board of Directors, which has oversight responsibilities with respect to financial reporting. The Board of Directors carries out this responsibility principally through the Audit Committee, which comprises non-management directors. The Audit Committee is charged with, among other things, the responsibility to:

- Review the interim and annual consolidated financial statements and report thereon to the Board of Directors.
- Review internal control procedures.
- Review the independence of the external auditors and the terms of their engagement and recommend the appointment and compensation of the external auditors to the Board of Directors.
- Review other audit, accounting and financial reporting matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to review their respective audit plans and to review their audit findings. The Committee is readily accessible to external and internal auditors and to the Appointed Actuary.

The Board of Directors of the Company, pursuant to the Insurance Companies Act (Canada), appoints an Actuary who is a Fellow of the Canadian Institute of Actuaries. The Actuary:

- Ensures that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives.
- Provides an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations. Examination of supporting data for accuracy and completeness and analysis of assets for their ability to support the policy liabilities are important elements of the work required to form this opinion.
- Annually analyzes the financial condition of the Company and prepares a report for the Risk Committee of the Board of Directors. The analysis covers a five year period, and tests the projected capital adequacy of the Company, under adverse economic and business conditions.

Deloitte LLP Chartered Professional Accountants, as the Company's external auditors, have audited the consolidated financial statements. The Independent Auditor's Report to the Policyholders and Shareholder is presented following the consolidated financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds and the results of its operations and its cash flows and the changes in assets of its segregated funds in accordance with IFRS.

Paul Mahon	**Garry MacNicholas**
President and Chief Executive Officer	Executive Vice-President and Chief Financial Officer

February 9, 2022

Consolidated Statements of Earnings

(in Canadian $ millions)

For the years ended December 31	2021	2020
Income		
Premium income		
Gross premiums written	$ 54,340	$ 41,726
Ceded premiums	(3,731)	(3,888)
Total net premiums	50,609	37,838
Net investment income (note 6)		
Regular net investment income	4,502	4,759
Changes in fair value through profit or loss	(1,240)	4,839
Total net investment income	3,262	9,598
Fee and other income	3,414	3,133
	57,285	50,569
Benefits and expenses		
Policyholder benefits		
Gross	43,401	35,574
Ceded	(2,505)	(2,269)
Total net policyholder benefits	40,896	33,305
Changes in insurance and investment contract liabilities		
Gross	4,394	7,706
Ceded	1,081	(664)
Total net changes in insurance and investment contract liabilities	5,475	7,042
Policyholder dividends and experience refunds	1,423	1,469
Total paid or credited to policyholders	47,794	41,816
Commissions	2,107	2,000
Operating and administrative expenses (note 27)	3,175	3,011
Premium taxes	486	464
Financing charges (note 16)	110	113
Amortization of finite life intangible assets (note 10)	165	155
Restructuring expenses (note 4)	–	92
Earnings before income taxes	3,448	2,918
Income taxes (note 26)	274	42
Net earnings before non-controlling interests	3,174	2,876
Attributable to non-controlling interests (note 19)	3	2
Net earnings	3,171	2,874
Net earnings – participating account (note 18)	303	67
Net earnings – common shareholder	$ 2,868	$ 2,807

Consolidated Statements of Comprehensive Income

(in Canadian $ millions)

For the years ended December 31	2021	2020
Net earnings	**$ 3,171**	$ 2,874
Other comprehensive income (loss)		
Items that may be reclassified subsequently to Consolidated Statements of Earnings		
Unrealized foreign exchange gains (losses) on translation of foreign operations	**(403)**	241
Income tax (expense) benefit	**–**	(2)
Unrealized gains (losses) on hedges of the net investment in foreign operations	**(11)**	–
Income tax (expense) benefit	**3**	–
Unrealized gains (losses) on available-for-sale assets	**(231)**	248
Income tax (expense) benefit	**45**	(41)
Realized (gains) losses on available-for-sale assets	**(16)**	(125)
Income tax expense (benefit)	**2**	12
Non-controlling interests	**2**	(2)
Total items that may be reclassified	**(609)**	331
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 23)	**620**	(146)
Income tax (expense) benefit	**(170)**	36
Revaluation surplus on transfer to investment properties (note 9)	**–**	11
Income tax (expense) benefit	**–**	(1)
Total items that will not be reclassified	**450**	(100)
Total other comprehensive income (loss)	**(159)**	231
Comprehensive income	**$ 3,012**	$ 3,105

Consolidated Balance Sheets

(in Canadian $ millions)

December 31	2021	2020
Assets		
Cash and cash equivalents (note 5)	**$ 3,271**	$ 3,105
Bonds (note 6)	**101,329**	100,608
Mortgage loans (note 6)	**23,113**	22,263
Stocks (note 6)	**13,252**	10,464
Investment properties (note 6)	**7,759**	6,267
Loans to policyholders	**3,480**	3,447
	152,204	146,154
Funds held by ceding insurers (note 7)	**7,555**	8,455
Reinsurance assets (note 13)	**8,794**	8,924
Goodwill (note 10)	**6,382**	6,386
Intangible assets (note 10)	**2,362**	2,250
Derivative financial instruments (note 28)	**582**	669
Owner occupied properties (note 11)	**552**	555
Fixed assets (note 11)	**288**	292
Other assets (note 12)	**1,836**	1,711
Premiums in course of collection, accounts and interest receivable	**4,841**	4,525
Current income taxes	**242**	87
Deferred tax assets (note 26)	**266**	232
Investments on account of segregated fund policyholders (note 14)	**240,500**	216,050
Total assets	**$ 426,404**	$ 396,290
Liabilities		
Insurance contract liabilities (note 13)	**$ 148,884**	$ 144,333
Investment contract liabilities (note 13)	**1,646**	1,671
Debentures and other debt instruments (note 15)	**745**	768
Preferred shares (note 20)	**1,000**	1,000
Funds held under reinsurance contracts	**2,006**	2,174
Derivative financial instruments (note 28)	**1,005**	1,150
Accounts payable	**1,945**	1,493
Other liabilities (note 17)	**3,162**	3,760
Current income taxes	**160**	248
Deferred tax liabilities (note 26)	**922**	586
Investment and insurance contracts on account of segregated fund policyholders (note 14)	**240,500**	216,050
Total liabilities	**401,975**	373,233
Equity		
Participating account surplus (note 18)	**3,126**	2,858
Non-controlling interests (note 19)	**26**	25
Shareholders' equity		
Share capital (note 20)		
Common shares	**7,884**	7,884
Accumulated surplus	**13,025**	11,802
Accumulated other comprehensive income (loss) (note 24)	**(51)**	73
Contributed surplus	**419**	415
Total equity	**24,429**	23,057
Total liabilities and equity	**$ 426,404**	$ 396,290

Approved by the Board of Directors:

Jeffrey Orr
Chair of the Board

Paul Mahon
President and Chief Executive Officer

Consolidated Statements of Changes in Equity

(in Canadian $ millions)

	December 31, 2021							
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income (loss)**	**Total shareholders' equity**	**Non-controlling interests**	**Participating account surplus**	**Total equity**
Balance, beginning of year	**$ 7,884**	**$ 415**	**$ 11,802**	**$ 73**	**$ 20,174**	**$ 25**	**$ 2,858**	**$ 23,057**
Net earnings	**–**	**–**	**2,868**	**–**	**2,868**	**3**	**303**	**3,174**
Other comprehensive income (loss)	**–**	**–**	**–**	**(124)**	**(124)**	**(2)**	**(35)**	**(161)**
	7,884	**415**	**14,670**	**(51)**	**22,918**	**26**	**3,126**	**26,070**
Dividends to common shareholder	**–**	**–**	**(1,645)**	**–**	**(1,645)**	**–**	**–**	**(1,645)**
Share-based payments (note 22)	**–**	**4**	**–**	**–**	**4**	**–**	**–**	**4**
Balance, end of year	**$ 7,884**	**$ 419**	**$ 13,025**	**$ (51)**	**$ 21,277**	**$ 26**	**$ 3,126**	**$ 24,429**

	December 31, 2020							
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interests	Participating account surplus	Total equity
Balance, beginning of year	$ 8,884	$ 412	$ 11,411	$ (112)	$ 20,595	$ 21	$ 2,745	$ 23,361
Net earnings	–	–	2,807	–	2,807	2	67	2,876
Other comprehensive income	–	–	–	185	185	2	46	233
	8,884	412	14,218	73	23,587	25	2,858	26,470
Dividends to common shareholder	–	–	(2,416)	–	(2,416)	–	–	(2,416)
Share-based payments (note 22)	–	3	–	–	3	–	–	3
Conversion of common shares to preferred share liability (note 20)	(1,000)	–	–	–	(1,000)	–	–	(1,000)
Balance, end of year	$ 7,884	$ 415	$ 11,802	$ 73	$ 20,174	$ 25	$ 2,858	$ 23,057

Consolidated Statements of Cash Flows

(in Canadian $ millions)

For the years ended December 31	2021	2020
Operations		
Earnings before income taxes	**$ 3,448**	$ 2,918
Income taxes paid, net of refunds received	**(360)**	(371)
Adjustments:		
Change in insurance and investment contract liabilities	**3,579**	7,506
Change in funds held by ceding insurers	**555**	467
Change in funds held under reinsurance contracts	**(146)**	145
Change in reinsurance assets	**1,056**	(501)
Changes in fair value through profit or loss	**1,240**	(4,839)
Other	**(123)**	(902)
	9,249	4,423
Financing Activities		
Dividends paid on common shares	**(1,590)**	(2,231)
Investment Activities		
Bond sales and maturities	**19,389**	18,530
Mortgage loan repayments	**2,651**	1,945
Stock sales	**6,220**	3,790
Investment property sales	**40**	73
Change in loans to policyholders	**(34)**	(73)
Business acquisitions, net of cash and cash equivalents acquired (note 3)	**(380)**	(43)
Sale of businesses, net of cash and cash equivalents in subsidiaries	**–**	96
Investment in bonds	**(23,790)**	(18,807)
Investment in mortgage loans	**(3,726)**	(3,253)
Investment in stocks	**(6,819)**	(4,142)
Investment in investment properties	**(970)**	(481)
	(7,419)	(2,365)
Effect of changes in exchange rates on cash and cash equivalents	**(74)**	42
Increase (decrease) in cash and cash equivalents	**166**	(131)
Cash and cash equivalents, beginning of year	**3,105**	3,236
Cash and cash equivalents, end of year	**$ 3,271**	$ 3,105
Supplementary cash flow information		
Interest income received	**$ 3,662**	$ 3,797
Interest paid	**118**	121
Dividend income received	**344**	318

Notes to Consolidated Financial Statements

(in Canadian $ millions except per share amounts)

1. Corporate Information

The Canada Life Assurance Company (Canada Life) is incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Canada Life is wholly-owned by Great-West Lifeco Inc. (Lifeco). Lifeco is a member of the Power Corporation of Canada (Power Corporation) group of companies and is a subsidiary of Power Corporation.

Canada Life is a leading Canadian insurer, with interests in the life insurance, health insurance, investment, savings and retirement income and reinsurance businesses, primarily in Canada and Europe through its subsidiaries including The Canada Life Group (U.K.) Limited, Canada Life Limited, Irish Life Group Limited (Irish Life), Canada Life Capital Corporation Inc., Toronto College Park Ltd., Quadrus Investment Services Ltd. and GWL Realty Advisors Inc.

The consolidated financial statements (financial statements) of the Company as at and for the year ended December 31, 2021 were approved by the Board of Directors on February 9, 2022.

2. Basis of Presentation and Summary of Accounting Policies

The consolidated financial statements of the Company have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Consistent accounting policies were applied in the preparation of the consolidated financial statements of the subsidiaries of the Company.

Changes in Accounting Policies

The Company adopted the *Interest Rate Benchmark Reform - Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*, effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

Basis of Consolidation

The consolidated financial statements of the Company were prepared as at and for the year ended December 31, 2021 with comparative information as at and for the year ended December 31, 2020. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Company has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities and has the ability to use its power to affect the variable returns. All intercompany balances and transactions, including income and expenses, profits or losses and dividends, are eliminated on consolidation.

Impact of COVID-19 on Significant Judgments, Estimates and Assumptions

The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Company operates. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange, as well as prevailing health and mortality experience.

The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. In addition to its own credit assessments, the Company's practice is to use third party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third party credit rating. Given rapid market changes, third party credit rating changes may lag developments in the current environment.

The fair value of portfolio investments (note 6), the valuation of goodwill and other intangible assets (note 10), the valuation of insurance contract liabilities (note 13) and the recoverability of deferred tax asset carrying values (note 26) reflect management's judgment.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these financial statements.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these consolidated financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are listed below and discussed throughout the notes to these consolidated financial statements including:

- Management uses judgment to determine the fair value of assets acquired and liabilities assumed in a business combination.
- Management uses independent qualified appraisal services to determine the fair value of investment properties, which utilize judgments and estimates. These appraisals are adjusted by applying management judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions (note 6).
- Management uses internal valuation models which utilize judgments and estimates to determine the fair value of equity release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows, and discount rates (note 6).

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

- In the determination of the fair value of financial instruments, the Company's management exercises judgment in the determination of fair value inputs, particularly those items categorized within level 3 of the fair value hierarchy (note 9).
- Cash generating units for indefinite life intangible assets and cash generating unit groupings for goodwill have been determined by management as the lowest level that the assets are monitored for internal reporting purposes, which requires management judgment in the determination of the lowest level of monitoring (note 10).
- Management evaluates the future benefit for initial recognition and measurement of goodwill and intangible assets as well as testing the recoverable amounts. The determination of the carrying value and recoverable amounts of the cash generating unit groupings for goodwill and cash generating units for intangible assets relies upon the determination of fair value or value-in-use using valuation methodologies (note 10).
- Judgments are used by management in determining whether deferred acquisition costs and deferred income reserves can be recognized on the Consolidated Balance Sheets. Deferred acquisition costs are recognized if management determines the costs meet the definition of an asset and are incremental and related to the issuance of the investment contract. Deferred income reserves are amortized on a straight-line basis over the term of the policy (notes 12 and 17).
- Management uses judgment to evaluate the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.
- The actuarial assumptions, such as interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders, used in the valuation of insurance and certain investment contract liabilities under the Canadian Asset Liability Method require significant judgment and estimation (note 13).
- The actuarial assumptions used in determining the expense and benefit obligations for the Company's defined benefit pension plans and other post-employment benefits requires significant judgment and estimation. Management reviews previous experience of its plan members and market conditions including interest rates and inflation rates in evaluating the assumptions used in determining the expense for the current year (note 23).
- The Company operates within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company's tax provisions and the carrying amounts of its tax assets and liabilities (note 26).
- Management applies judgment in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections (note 26).
- Legal and other provisions are recognized resulting from a past event which, in the judgment of management, has resulted in a probable outflow of economic resources which would be passed to a third-party to settle the obligation. Management uses judgment to evaluate the possible outcomes and risks in determining the best estimate of the provision at the balance sheet date (note 29).
- The operating segments of the Company are the segments reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company. Management applies judgment in the aggregation of the business units into the Company's operating segments (note 31).
- The Company consolidates all subsidiaries and entities which management determines that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.
- Management uses judgments, such as the determination of whether the Company retains the primary obligation with a client in sub-advisor arrangements. Where the Company retains the primary obligation to the client, revenue and expenses are recorded on a gross basis.
- Within the Consolidated Statements of Cash Flows, purchases and sales of portfolio investments are recorded within investment activities due to management's judgment that these investing activities are long-term in nature.
- The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use third-party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party rating.

The significant accounting policies are as follows:

(a) Portfolio Investments

Portfolio investments include bonds, mortgage loans, stocks and investment properties. Portfolio investments are classified as fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, equity-method investments or as non-financial instruments based on management's intention relating to the purpose and nature of the instrument or characteristics of the investment. The Company has not classified any investments as held-to-maturity.

Investments in bonds and stocks normally actively traded on a public market or where fair value can be reliably measured are either designated or classified as fair value through profit or loss or classified as available-for-sale on a trade date basis. Equity release mortgages are designated as fair value through profit or loss. A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities. A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income. Fair value through profit or loss investments are recognized at fair value on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings. Available-for-sale investments are recognized at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in other comprehensive income. Realized gains and losses on available-for-sale investments are reclassified from other comprehensive income and recorded in the Consolidated Statements of Earnings when the investment is sold. Interest income earned on both fair value through profit or loss and available-for-sale bonds is calculated using the effective interest method and is recorded as net investment income in the Consolidated Statements of Earnings.

Investments in stocks where a fair value cannot be measured reliably are classified as available-for-sale and carried at cost. Investments in stocks for which the Company exerts significant influence over but does not control are accounted for using the equity method of accounting. Investments in stocks over which the Company exerts significant influence but does not control include the Company's investment in an affiliated company, IGM Financial Inc. (IGM), a member of the Power Corporation group of companies.

Investments in mortgages and bonds not normally actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Interest income earned and realized gains and losses on the sale of investments classified as loans and receivables are recorded in the Consolidated Statements of Earnings and included in net investment income.

Investment properties are real estate held to earn rental income or for capital appreciation. Investment properties are initially measured at cost and subsequently carried at fair value on the Consolidated Balance Sheets. All changes in fair value are recorded as net investment income in the Consolidated Statements of Earnings. Properties held to earn rental income or for capital appreciation that have an insignificant portion that is owner occupied or where there is no intent to occupy on a long-term basis are classified as investment properties. Properties that do not meet these criteria are classified as owner occupied properties. Property that is leased that would otherwise be classified as investment property if owned by the Company is also included within investment properties.

Fair Value Measurement

Financial instrument carrying values necessarily reflect the prevailing market liquidity and the liquidity premiums embedded within the market pricing methods that the Company relies upon.

Fair value movement on the assets supporting insurance contract liabilities is a major factor in the movement of insurance contract liabilities. Changes in the fair value of bonds designated or classified as fair value through profit or loss that support insurance and investment contract liabilities are largely offset by corresponding changes in the fair value of liabilities except when the bond has been deemed impaired.

The following is a description of the methodologies used to value instruments carried at fair value:

Bonds – Fair Value Through Profit or Loss and Available-for-Sale

Fair values for bonds classified and designated as fair value through profit or loss or available-for-sale are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. Where prices are not quoted in an active market, fair values are determined by valuation models. The Company maximizes the use of observable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure bonds at fair value in its fair value through profit or loss and available-for-sale portfolios.

The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Bonds and Mortgages – Loans and Receivables

For disclosure purposes only, fair values for bonds and mortgages classified as loans and receivables are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

Equity Release Mortgages – Fair Value Through Profit or Loss

There are no market observable prices for equity release mortgages; therefore an internal valuation model is used discounting expected future cash flows and includes consideration of the embedded no negative equity guarantee. Inputs to the model include market observable inputs such as benchmark yields and risk-adjusted spreads. Non market observable inputs include property growth and volatility rates, expected rates of voluntary redemptions, death, moving to long term care and interest cessation assumptions and the value of the no negative equity guarantee.

Stocks – Fair Value Through Profit or Loss and Available-for-Sale

Fair values for stocks traded on an active market are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for stocks for which there is no active market is typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movement relative to the market and utilization of information provided by the underlying investment manager. The Company maximizes the use of observable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure stocks at fair value in its fair value through profit or loss and available-for-sale portfolios.

Investment Properties

Fair values for investment properties are determined using independent qualified appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. The determination of the fair value of investment property requires the use of estimates including future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market conditions. Investment property under construction is valued at fair value if such values can be reliably determined; otherwise they are recorded at cost.

Impairment

Investments are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal.

Investments are deemed to be impaired when there is objective evidence that timely collection of future cash flows can no longer be reliably estimated. The fair value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset; however, market price is taken into consideration when evaluating impairment.

For impaired mortgages and bonds classified as loans and receivables, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible, the fair value of collateral underlying the loans or observable market price is used to establish the net realizable value. For impaired available-for-sale bonds recorded at fair value, the accumulated loss recorded in accumulated other comprehensive income is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. All gains and losses on bonds classified or designated as fair value through profit or loss are recorded in net investment income, therefore, in the event of an impairment, the reduction will be recorded in net investment income.

Securities Lending

The Company engages in securities lending through its securities custodians as lending agents. Loaned securities are not derecognized, and continue to be reported within invested assets, as the Company retains substantial risks and rewards and economic benefits related to the loaned securities.

(b) Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified as fair value through profit or loss. Transaction costs for financial assets classified as available-for-sale or loans and receivables are added to the value of the instrument at acquisition and taken into net earnings using the effective interest method. Transaction costs for financial liabilities classified as other than fair value through profit or loss are included in the value of the instrument issued and taken into net earnings using the effective interest method.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, current operating accounts, overnight bank and term deposits with maturities of three months or less held for the purpose of meeting short-term cash requirements. Net payments in transit and overdraft bank balances are included in other liabilities.

(d) Trading Account Assets

Trading account assets consist of investments in open ended investment companies and sponsored unit-trusts, which are carried at fair value based on the net asset value of these funds. Investments in these assets are included in other assets on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings.

(e) Debentures and Other Debt Instruments and Capital Trust Securities

Debentures and other debt instruments and capital trust securities are initially recorded on the Consolidated Balance Sheets at fair value and subsequently carried at amortized cost using the effective interest method with amortization expense recorded in financing charges in the Consolidated Statements of Earnings. These liabilities are derecognized when the obligation is cancelled or redeemed.

(f) Other Assets and Other Liabilities

Other assets, which include prepaid expenses, deferred acquisition costs, finance leases receivable, right-of-use assets and miscellaneous other assets, are measured at cost or amortized cost. Other liabilities, which include deferred income reserves, bank overdraft, lease liabilities and other miscellaneous liabilities are measured at cost or amortized cost.

Provisions are recognized within other liabilities when the Company has a present obligation, either legal or constructive, resulting from a past event, and in management's judgment, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount. The amount recognized for provisions are management's best estimate at the balance sheet date. The Company recognizes a provision for restructuring when a detailed formal plan for the restructuring has been established and that the plan has raised a valid expectation in those affected that the restructuring will occur.

Pension and other post-employment benefits also included within other assets and other liabilities are measured in accordance with note 2(x).

(g) Disposal Group Classified as Held For Sale

Disposal groups are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than continuing use. The fair value of a disposal group is measured at the lower of its carrying amount and fair value less costs to sell. Individual assets and liabilities in a disposal group not subject to these measurement requirements include financial assets, investment properties and insurance contract liabilities. These assets and liabilities are measured in accordance with the relevant accounting policies described for those assets and liabilities included in this note before the disposal group as a whole is measured to the lower of its carrying amount and fair value less cost to sell. Any impairment loss for the disposal group is recognized as a reduction to the carrying amount for the portion of the disposal group under the measurement requirements for IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*.

Disposal group assets and liabilities classified as held for sale are presented separately on the Company's Consolidated Balance Sheets. Gains and losses from disposal groups held for sale are presented separately in the Company's Consolidated Statements of Earnings.

(h) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset, liability and capital positions, including fee and investment income. The Company's policy guidelines prohibit the use of derivative instruments for speculative trading purposes.

The Company includes disclosure of the maximum credit risk, future credit exposure, credit risk equivalent and risk weighted equivalent in note 28 as prescribed by the Office of the Superintendent of Financial Institutions (OSFI) in Canada.

All derivatives including those that are embedded in financial and non-financial contracts that are not closely related to the host contracts are recorded at fair value on the Consolidated Balance Sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income in the Consolidated Statements of Earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

Derivatives are valued using market transactions and other market evidence whenever possible, including market based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently as if there was no hedging relationship.

Where a hedging relationship exists, the Company documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the Consolidated Balance Sheets or to specific firm commitments or forecasted transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Hedge effectiveness is reviewed quarterly through correlation testing. Hedge accounting is discontinued when the hedging no longer qualifies for hedge accounting.

Derivatives not designated as hedges for accounting purposes

For derivative investments not designated as accounting hedges, changes in fair value are recorded in net investment income.

Fair value hedges

For fair value hedges, changes in fair value of both the hedging instrument and the hedged risk are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

The Company currently uses foreign exchange forward contracts designated as fair value hedges.

Cash flow hedges

For cash flow hedges, the effective portion of the changes in fair value of the hedging instrument is recorded in the same manner as the hedged item while the ineffective portion is recognized immediately in net investment income. Gains and losses that accumulate in other comprehensive income are recorded in net investment income in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to net investment income if and when it is probable that a forecasted transaction is no longer expected to occur.

The Company currently has no instruments designated as cash flow hedges.

Net investment hedges

For net investment hedges, the effective portion of changes in the fair value of the hedging instrument are recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. The unrealized foreign exchange gains (losses) on the instruments are recorded within accumulated other comprehensive income and will be reclassified into net earnings when the Company disposes of the foreign operation.

The Company currently uses foreign exchange forward contracts designated as net investment hedges.

(i) Embedded Derivatives

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the Consolidated Statements of Earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

(j) Foreign Currency Translation

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in Canadian dollars as this presentation is most meaningful to financial statement users. For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of monetary items that form part of the net investment in the foreign operation are recorded in unrealized foreign exchange gains (losses) on translation of foreign operations in other comprehensive income.

For the purpose of presenting consolidated financial statements, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on translation of the Company's net investment in its foreign operations are presented separately as a component of other comprehensive income. Unrealized gains and losses will be recognized proportionately in net investment income in the Consolidated Statements of Earnings when there has been a disposal of the investment in the foreign operations.

Foreign currency translation gains and losses on foreign currency transactions of the Company are included in net investment income.

(k) Loans to Policyholders

Loans to policyholders are classified as loans and receivables and measured at amortized cost. Loans to policyholders are shown at their unpaid principal balance and are fully secured by the cash surrender values of the policies. Carrying value of loans to policyholders approximates their fair value.

(l) Reinsurance Contracts

The Company, in the normal course of business, is a user of reinsurance in order to limit the potential for losses arising from certain exposures and a provider of reinsurance. Assumed reinsurance refers to the acceptance of certain insurance risks by the Company underwritten by another company. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for reinsurance contracts which are deemed uncollectible.

Reinsurance contracts are insurance contracts and undergo the classification as described within the Insurance and Investment Contract Liabilities section of this note. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. The Company considers various factors in the impairment evaluation process, including but not limited to, collectability of amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account with any impairment loss being recorded in the Consolidated Statements of Earnings.

Any gains or losses on buying reinsurance are recognized in the Consolidated Statements of Earnings immediately at the date of purchase in accordance with the Canadian Asset Liability Method.

Assets and liabilities related to reinsurance are reported on a gross basis on the Consolidated Balance Sheets. The amount of liabilities ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

(m) Funds Held by Ceding Insurers/Funds Held Under Reinsurance Contracts

On the asset side, funds held by ceding insurers are assets that would normally be paid to the Company but are withheld by the cedant to reduce potential credit risk. Under certain forms of reinsurance contracts it is customary for the cedant to retain amounts on a funds withheld basis supporting the insurance or investment contract liabilities ceded. For the funds withheld assets where the underlying asset portfolio is managed by the Company, the credit risk is retained by the Company. The funds withheld balance where the Company assumes the credit risk is measured at the fair value of the underlying asset portfolio with the change in fair value recorded in net investment income. See note 7 for funds held by ceding insurers that are managed by the Company. Other funds held by ceding insurers are general obligations of the cedant and serve as collateral for insurance contract liabilities assumed from cedants. Funds withheld assets on these contracts do not have fixed maturity dates, their release generally being dependent on the run-off of the corresponding insurance contract liabilities.

On the liability side, funds held under reinsurance contracts consist mainly of amounts retained by the Company from ceded business written on a funds withheld basis. The Company withholds assets related to ceded insurance contract liabilities in order to reduce credit risk.

(n) Business Combinations, Goodwill and Intangible Assets

Business combinations are accounted for using the acquisition method. The Company identifies and classifies, in accordance with the Company's accounting policies, all assets acquired and liabilities assumed as at the acquisition date. Goodwill represents the excess of purchase consideration over the fair value of net assets of the acquired subsidiaries of the Company. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

Intangible assets represent finite life and indefinite life intangible assets of acquired subsidiaries of the Company and software acquired or internally developed by the Company. Finite life intangible assets include the value of technology/software, certain customer contracts and distribution channels. These finite life intangible assets are amortized over their estimated useful lives, typically ranging between 3 and 30 years.

Indefinite life intangible assets include brands and trademarks, certain customer contracts and the shareholders' portion of acquired future participating account profits. Amounts are classified as indefinite life intangible assets when based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. The identification of indefinite life intangible assets is made by reference to relevant factors such as product life cycles, potential obsolescence, industry stability and competitive position. Following initial recognition, indefinite life intangible assets are measured at cost less accumulated impairment losses.

Impairment Testing

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. In the event that certain conditions have been met, the Company would be required to reverse the impairment loss or a portion thereof.

Goodwill has been allocated to cash generating unit groupings, representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill is tested for impairment by comparing the carrying value of each cash generating unit grouping to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Intangible assets have been allocated to cash generating units, representing the lowest level that the assets are monitored for internal reporting purposes.

Intangible assets with an indefinite useful life are reviewed annually to determine if there are indicators of impairment. If indicators of impairment have been identified, a test for impairment is performed and recognized as necessary. Impairment is assessed by comparing the carrying values of the assets to their recoverable amounts. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Finite life intangible assets are reviewed annually to determine if there are indicators of impairment and assess whether the amortization periods and methods are appropriate. If indicators of impairment have been identified, a test for impairment is performed and then the amortization of these assets is adjusted or impairment is recognized as necessary.

(o) Revenue Recognition

Premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due and collection is reasonably assured.

Interest income on bonds and mortgages is recognized and accrued using the effective interest method.

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed stocks, and usually the notification date or date when the shareholders have approved the dividend for private equity instruments.

Investment property income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease.

Fee income includes fees earned from management of segregated fund assets, proprietary mutual fund assets, record-keeping, fees earned on administrative services only Group health contracts, commissions and fees earned from management services. Fee and other income is recognized on the transfer of services to customers for the amount that reflects the consideration expected to be received in exchange for those services promised.

The Company has sub-advisor arrangements where the Company retains the primary obligation with the client; as a result, fee income earned is reported on a gross basis with the corresponding sub-advisor expense recorded in operating and administrative expenses.

(p) Owner Occupied Properties and Fixed Assets

Property held for own use and fixed assets are carried at cost less accumulated depreciation, disposals and impairments. Depreciation is expensed to write-off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Owner occupied properties	15 – 20 years
Furniture and fixtures	5 – 10 years
Other fixed assets	3 – 10 years

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary.

(q) Deferred Acquisition Costs

Included in other assets are deferred acquisition costs related to investment contracts and service contracts. These are recognized as assets if the costs are incremental and incurred due to the contract being issued and are primarily amortized on a straight-line basis over the term of the contract, not to exceed 20 years.

(r) Segregated Funds

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately on the Consolidated Balance Sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Investment income and changes in fair value of the segregated fund assets are offset by a corresponding change in the segregated fund liabilities.

(s) Insurance and Investment Contract Liabilities

Contract Classification

When significant insurance risk exists, the Company's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to note 13 for discussion of insurance risk.

In the absence of significant insurance risk, the contract is classified as an investment contract or service contract. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, *Financial Instruments: Recognition & Measurement*. The Company has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to note 8 for discussion of Financial Instruments Risk Management.

Measurement

Insurance contract liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with the Company. The Appointed Actuaries of the Company's subsidiary companies are responsible for determining the amount of the liabilities to make appropriate provisions for the Company's obligations to policyholders. The Appointed Actuaries determine the liabilities for insurance contracts using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the Canadian Asset Liability Method. This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment.

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of mis-estimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Investment contract liabilities are measured at fair value determined using discounted cash flows utilizing the yield curves of financial instruments with similar cash flow characteristics.

(t) Deferred Income Reserves

Included in other liabilities are deferred income reserves relating to investment contracts. These are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not to exceed 20 years.

(u) Participating Account

The shareholder portion of participating earnings represents, as restricted by law, a portion of net earnings before policyholder dividends of the participating account. The actual payment of the shareholder portion of participating earnings is legally determined as a percentage of policyholder dividends paid. The participating operations and the participating balance sheets are presented as combined or consolidated in the operations in the Company's financial statements.

The Canada Life participating account is comprised of two main subdivisions. The liabilities for participating policies issued or assumed by Canada Life prior to demutualization are held in closed block sub-accounts. These liabilities for guaranteed and other non-guaranteed benefits are determined using best estimate assumptions. If at any time the value of the assets allocated to these policies were, in the opinion of the Appointed Actuary, less than the assets required in the long term to support the liabilities of these policies and the future reasonable expectations of the policyholders, assets having a sufficient value to rectify the situation would be transferred first from the additional ancillary sub-accounts maintained in the participating account for this purpose and then, if the deficiency is expected to be permanent, from the shareholder account. Any such transfers from the shareholder account would be recorded as an expense to shareholder net earnings.

The second main subdivision comprises the open block sub-accounts containing all liabilities in respect of new participating policies issued on or after demutualization. On demutualization, $50 of seed capital was transferred from shareholder surplus to the participating account. The seed capital amount, together with a reasonable rate of return, may be transferred to the shareholder account if the seed capital is no longer required to support the new participating policies. Transfers of seed capital to the shareholder account would be returns of capital and would be recorded as adjustments to shareholder surplus. A reasonable rate of return on seed capital will be recognized as income in the shareholder account and as an expense in the participating account when paid. To date all seed capital has been repaid except for $19 (U.S. $15).

(v) Income Taxes

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or income in profit or loss except to the extent that it relates to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized outside profit or loss.

Current Income Tax

Current income tax is based on taxable income for the year. Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates that have been enacted or substantively enacted at the balance sheet date in each respective jurisdiction. Current income tax assets and current income tax liabilities are offset if a legally enforceable right exists to offset the recognized amounts and the entity intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

A provision for tax treatment uncertainties which meet the probable threshold for recognition is measured using either the most likely amount or the expected value, depending upon which method provides the better prediction of the resolution of the uncertainty. The provision for tax uncertainties will be classified as current or deferred based on how a disallowance of the underlying uncertain tax treatment would impact the tax provision accrual as of the balance sheet date.

Deferred Income Tax

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and carryforwards can be utilized.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred income tax assets. The Company's annual financial planning process provides a significant basis for the measurement of deferred income tax assets.

Deferred income tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to net current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

(w) Policyholder Benefits

Policyholder benefits include benefits and claims on life insurance contracts, maturity payments, annuity payments and surrenders. Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

(x) Pension Plans and Other Post-Employment Benefits

The Company and its subsidiaries maintain contributory and non-contributory defined benefit pension plans for eligible employees and advisors. The Company and its subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents.

The present value of the defined benefit obligations and the related current service cost is determined using the projected unit credit method (note 23). Pension plan assets are recorded at fair value.

For the Company and its subsidiaries defined benefit plans, service costs and net interest costs are recognized in the Consolidated Statements of Earnings. Service costs include current service cost, administration expenses, past service costs and the impact of curtailments and settlements. To determine the net interest costs (income) recognized in the Consolidated Statements of Earnings, the Company applies a discount rate to the net benefit liability (asset), where the discount rate is determined by reference to market yields at the beginning of the year on high quality corporate bonds.

For the Company and its subsidiaries defined benefit plans, re-measurements of the net defined benefit liability (asset) due to asset returns less (greater) than interest income, actuarial losses (gains) and changes in the asset ceiling are recognized in the Consolidated Statements of Comprehensive Income.

The Company and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors. For the Company and its subsidiaries defined contribution plans, the current service costs are recognized in the Consolidated Statements of Earnings.

(y) Equity

Financial instruments issued by the Company are classified as share capital if they represent a residual interest in the assets of the Company. Preferred share capital is classified as equity if it is non-redeemable, or retractable only at the Company's option and any dividends are discretionary. Incremental costs that are directly attributable to the issue of share capital are recognized as a deduction from equity, net of income tax.

Contributed surplus represents the vesting expense on unexercised equity instruments under share-based payment plans.

Accumulated other comprehensive income (loss) represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the unrealized gains (losses) on available-for-sale assets, the unrealized gains (losses) on cash flow hedges, the re-measurements on defined benefit pension and other post-employment benefit plans net of tax and the revaluation surplus on transfer to investment properties, where applicable.

Non-controlling interests in subsidiaries represents the proportion of equity that is attributable to minority shareholders.

Participating account surplus represents the proportion of equity attributable to the participating account of the Company and its subsidiaries.

(z) Share-Based Payments

Lifeco has a stock option plan that provides for the granting of options on common shares of Lifeco to certain officers and employees of Lifeco and its affiliates.

The Company follows the fair value based method of accounting for the valuation of compensation expense for shares and share options granted to employees under its stock option plans (note 22). This share-based payment expense is recognized in operating and administrative expenses in the Consolidated Statements of Earnings and as an increase to contributed surplus over the vesting period of the granted options.

The Company and certain of its affiliates have Deferred Share Unit Plans (DSU Plans) in which the Directors and certain employees of the Company participate. Units issued to Directors under the DSU Plans vest when granted. Units issued to certain employees under the DSU Plans primarily vest over a three year period. The Company recognizes an increase in operating and administrative expenses for the units granted under the DSU Plans. The Company recognizes a liability for units granted under the DSU Plans which is remeasured at each reporting period based on the market value of Lifeco's common shares.

Certain employees of the Company are entitled to participate in the Performance Share Unit Plan (PSU Plan). Units issued under the PSU Plan vest over a three year period. The Company uses the fair value method to recognize compensation expense for the units granted under the plan over the vesting period with a corresponding increase in the liability based on the market value of Lifeco's common shares.

The Company has an Employee Share Ownership Program (ESOP) where, subject to certain conditions being met, the Company will match contributions up to a maximum amount to purchase Lifeco common shares. The Company's contributions are expensed within operating and administrative expenses as incurred.

(aa) Leases

Where the Company is the lessee, a right-of-use asset and a lease liability are recognized on the Consolidated Balance Sheets as at the lease commencement date.

Right-of-use assets are initially measured based on the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. Right-of-use assets are included within other assets with the exception of right-of-use assets which meet the definition of investment property which are presented within investment properties and subject to the Company's associated accounting policy. Right-of-use assets presented within other assets are depreciated to the earlier of the useful life of the right-of-use asset or the lease term using the straight-line method. Depreciation expense on right-of-use assets is included within operating and administrative expenses.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company shall use the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate as its discount rate. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within operating and administrative expenses.

The Company has elected to apply a practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Where the Company is the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the Consolidated Balance Sheets. Income from these leases is recognized in the Consolidated Statements of Earnings on a straight-line basis over the lease term.

Investments in a lease that transfers substantially all the risks and rewards of ownership to the lessee are classified as a finance lease. The Company is the lessor under a finance lease and the investment is recognized as a receivable at an amount equal to the net investment in the lease, which is represented as the present value of the minimum lease payments due from the lessee and is presented within the Consolidated Balance Sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the Consolidated Statements of Earnings at a constant periodic rate of return on the Company's net investment in the finance lease.

(ab) Operating Segments

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments and for which discrete financial information is available. The Company's operating segments are the participating and shareholder operations of the Company. The business units within these segments are Canada, Europe, Capital and Risk Solutions, and Corporate. The Canada business unit comprises the Individual Customer and Group Customer business units. The Europe business unit comprises United Kingdom, Ireland, and Germany. Reinsurance is reported in the Capital and Risk Solutions business unit. The Corporate business unit represents activities and transactions that are not directly attributable to the measurement of the operating business units of the Company.

(ac) Future Accounting Policies

Standard	Summary of Future Changes
IFRS 17 – *Insurance Contracts*	In May 2017, the IASB issued IFRS 17, *Insurance Contracts* (IFRS 17), which will replace IFRS 4, *Insurance Contracts.* In June 2020, the IASB issued amendments to IFRS 17. The amended confirmed effective date for the standard is January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments* (IFRS 9), keeping the alignment of the effective dates for IFRS 9 and IFRS 17. The adoption of IFRS 17 is a significant initiative for the Company supported by a formal governance framework and project plan, for which substantial resources are being dedicated. The Company has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that the Company has representation on. The Company continues to make progress in implementing its project plan, with key policy decisions near final as well as significant progression on the technology solution. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of: (a) the fulfilment cash flows – the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin – the future profit for providing insurance coverage. Under IFRS 17, the discount rate used to reflect the time value of money in the fulfillment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the Canadian Asset Liability Method, where the discount rate was based on the yield curves of the assets supporting those liabilities (refer to the Company's significant accounting policies in note 2 of these financial statements). The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires the Company to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. The Company is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities to increase upon adoption. Specifically, the recognition of the contractual service margin liabilities will also have the effect of reducing accumulated surplus. IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statements of Earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. OSFI has stated that it intends to maintain capital frameworks consistent with current capital policies and minimizing potential industry-wide capital impacts. The Company continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or our business model.
IFRS 9 – *Financial Instruments*	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* (IFRS 9) to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. In September 2016, the IASB issued an amendment to IFRS 4, *Insurance Contracts* (IFRS 4). The amendment "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows: • *Deferral Approach* – provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or • *Overlay Approach* – provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. The Company qualifies for the amendment and is applying the deferral approach to allow adoption of both IFRS 9 and IFRS 17 simultaneously. The disclosure for the measurement and classification of the Company's portfolio investments provides most of the information required by IFRS 9. Upon adoption, the Company does not expect a material change in the level of invested assets, nor a material increase in earnings volatility, however the Company continues to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

Standard	Summary of Future Changes
IFRS 9 – *Financial Instruments* (continued)	In December 2021, the IASB issued a narrow-scope amendment to the transition requirements of IFRS 17. The Amendment, *Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)*, provides entities that first apply IFRS 17 and IFRS 9 at the same time with the option to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying this option, an entity is not required to apply the impairment requirements of IFRS 9.
IAS 1 – *Presentation of Financial Statements*	In February 2021, the IASB published *Disclosure of Accounting Policies*, amendments to IAS 1, *Presentation of Financial Statements*. The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments.
IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*	In February 2021, the IASB published *Definition of Accounting Estimates*, amendments to IAS 8, *Accounting Policies*, *Changes in Accounting Estimates and Errors*. The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments.
IAS 12 – *Income Taxes*	In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities from a Single Transaction*, amendments to IAS 12, *Income Taxes*. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact of the adoption of these amendments. .
IAS 37 – *Provisions, Contingent Liabilities, and Contingent Assets*	In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. The amendments specify which costs should be included when assessing whether a contract will be loss-making. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early adoption permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of this amendment.
Annual Improvements 2018-2020 Cycle	In May 2020, the IASB issued *Annual Improvements 2018-2020 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Company relating to IFRS 9, *Financial Instruments* and IFRS 16, *Leases*. The amendments are effective January 1, 2022. The Company does not anticipate a significant impact on its consolidated financial statements as a result of the amendment to IFRS 16, *Leases*. The Company continues to evaluate the impact of the adoption of the amendment to IFRS 9, *Financial Instruments* along with the adoption of IFRS 17 on January 1, 2023.

3. Business Acquisitions and Other Transactions

(a) Acquisition of Ark Life Assurance Company

On November 1, 2021, Irish Life, an indirect wholly-owned subsidiary of the Company, completed the acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for total cash consideration of $332 (€230). Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.

The initial amounts assigned to the assets acquired, goodwill and liabilities assumed on November 1, 2021, reported as at December 31, 2021 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	$ 17
Bonds	333
Goodwill	21
Reinsurance assets	1,238
Premiums in the course of collection, accounts and interest receivable	89
Investments on account of segregated fund policyholders	2,844
Total assets acquired and goodwill	**$ 4,542**
Liabilities assumed	
Insurance contract liabilities	$ 1,257
Investment contract liabilities	43
Other liabilities	66
Investment and insurance contracts on account of segregated fund policyholders	2,844
Total liabilities assumed	**$ 4,210**

As at December 31, 2021, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at December 31, 2021 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the second half of 2022. As at December 31, 2021, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation pending completion of the valuation exercise.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of $21 (€15) on the date of acquisition, will be adjusted in future periods.

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

Revenue and net earnings of Ark Life were not significant to the 2021 results of the Company.

(b) Acquisition of ClaimSecure Inc.

On September 1, 2021, the Company completed the acquisition of 100% of the equity of ClaimSecure Inc., a healthcare management firm that provides health and dental claim management services to private and public businesses in Canada.

During the fourth quarter of 2021, the comprehensive valuation of the fair value of the net assets acquired including intangible assets and the final purchase price allocation was substantially completed. As a result, initial goodwill presented in the September 30, 2021 interim unaudited financial statements of $93 recognized upon the acquisition was adjusted to $52, due to the recognition and measurement of intangible assets. Revenue and net earnings of ClaimSecure Inc. were not significant to the 2021 results of the Company.

(c) Sale of EverWest

During the fourth quarter of 2021, Lifeco completed an agreement for a long-term strategic relationship with Sagard Holdings Inc. (Sagard), a wholly-owned subsidiary of Power Corporation. The strategic relationship includes the sale by Lifeco of the Company's indirect United States-based subsidiaries, EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. EverWest's principal activity is real estate investment management and its shares were distributed as a dividend by the Company to Lifeco prior to the sale. Sagard is a related party. Therefore, certain aspects involving the Company were reviewed and approved by the Company's Conduct Review Committee. The carrying value, earnings and proceeds from sale of EverWest are immaterial to the Company.

As part of the strategic relationship with Sagard, Lifeco has made a capital commitment of up to approximately U.S. $500 into certain Sagard strategies. Lifeco has also committed to investing a further approximately U.S. $2,000 in real estate investments to support EverWest's future growth within Sagard. Investments by Lifeco's subsidiaries, including Canada Life, would count toward satisfaction of Lifeco's commitment but would be subject to completion of diligence, and compliance with all regulatory requirements and the Company's applicable policies and procedures.

4. Restructuring

Canada Restructuring

In 2020, the Company recorded a restructuring provision of $92 pre-tax ($68 in the shareholder account and $24 in the participating account) within restructuring and integration expenses in the Consolidated Statements of Earnings. The after-tax impact of the restructuring provision was $68 ($50 in the shareholder account and $18 in the participating account). The restructuring is associated with the 2020 sale of GLC Asset Management Group Ltd. (GLC) (formerly a wholly-owned subsidiary of the Company) to Mackenzie Financial Corporation, changes to the Company's distribution strategy and vision for advisor-based distribution, and termination of the long-term technology infrastructure related sharing agreement with IGM.

At December 31, 2021, the Company has a restructuring provision of $56 ($86 at December 31, 2020) remaining in other liabilities. The Company expects to pay out substantially all of these amounts by December 31, 2022. The change in the restructuring provision for the Canada restructuring is set out below:

	2021	2020
Balance, beginning of year	**$ 86**	$ –
Restructuring expenses	**–**	92
Amounts used	**(30)**	(6)
Balance, end of year	**$ 56**	$ 86

5. Cash and Cash Equivalents

	2021	2020
Cash	**$ 1,931**	$ 2,000
Short-term deposits	**1,340**	1,105
Total	**$ 3,271**	$ 3,105

At December 31, 2021, cash and short-term deposits of $209 were restricted for use by the Company ($290 at December 31, 2020) in respect of cash held in trust for reinsurance agreements or with regulatory authorities, cash held under certain indemnity arrangements, client monies held by brokers and cash held in escrow.

6. Portfolio Investments

(a) Carrying values and estimated fair values of portfolio investments are as follows:

	2021 Carrying value	2021 Fair value	2020 Carrying value	2020 Fair value
Bonds				
Designated fair value through profit or loss (1)	$ 75,352	$ 75,352	$ 74,190	$ 74,190
Classified fair value through profit or loss (1)	137	137	1,863	1,863
Available-for-sale	9,492	9,492	9,902	9,902
Loans and receivables	16,348	18,189	14,653	17,443
	101,329	103,170	100,608	103,398
Mortgage loans				
Residential				
Designated fair value through profit or loss (1)	2,609	2,609	2,020	2,020
Loans and receivables	7,309	7,550	7,325	7,858
	9,918	10,159	9,345	9,878
Commercial	13,195	13,681	12,918	14,034
	23,113	23,840	22,263	23,912
Stocks				
Designated fair value through profit or loss (1)	12,754	12,754	10,014	10,014
Available-for-sale	16	16	8	8
Available-for-sale, at cost (2)	8	8	8	8
Equity method	474	526	434	397
	13,252	13,304	10,464	10,427
Investment properties	7,759	7,759	6,267	6,267
Total	$ 145,453	$ 148,073	$ 139,602	$ 144,004

(1) A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

(2) Fair value cannot be reliably measured, therefore the investments are held at cost.

(b) Carrying value of bonds and mortgages by term to maturity are as follows:

	2021			
	Term to maturity			
	1 year or less	Over 1 year to 5 years	Over 5 years	Total
Bonds (1)	$ 8,144	$ 20,077	$ 73,102	$ 101,323
Mortgage loans (2)	1,667	8,623	12,752	23,042
Total	$ 9,811	$ 28,700	$ 85,854	$ 124,365

	2020			
	Term to maturity			
	1 year or less	Over 1 year to 5 years	Over 5 years	Total
Bonds (1)	$ 8,658	$ 19,982	$ 71,958	$ 100,598
Mortgage loans (2)	1,452	7,620	13,168	22,240
Total	$ 10,110	$ 27,602	$ 85,126	$ 122,838

(1) Excludes the carrying value of impaired bonds as the ultimate timing of collectability is uncertain.

(2) Excludes the carrying value of impaired mortgage loans as the ultimate timing of collectability is uncertain. Mortgage loans include equity release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has therefore been estimated based on previous redemption experience.

(c) Certain stocks where equity method earnings are computed are discussed below:

A significant amount of the Company's equity method investments relate to the Company's investment in an affiliated company, IGM, a member of the Power Corporation group of companies, over which it exerts significant influence but does not control. The Company's proportionate share of IGM's earnings is recorded in net investment income in the Consolidated Statements of Earnings. The Company owns 9,200,448 shares of IGM at December 31, 2021 (9,200,518 at December 31, 2020) representing a 3.85% ownership interest (3.86% at December 31, 2020). The Company uses the equity method to account for its investment in IGM as it exercises significant influence. Significant influence arises from several factors, including, but not limited to the following: common control of the Company and IGM by Power Corporation, shared representation on the Boards of Directors of the Company and IGM, interchange of managerial personnel, and certain shared strategic alliances, significant intercompany transactions and service agreements that influence the financial and operating policies of both companies.

	2021	2020
Carrying value, beginning of year	**$ 354**	$ 350
Equity method share of IGM net earnings	**33**	25
Dividends received	**(21)**	(21)
Carrying value, end of year	**$ 366**	$ 354
Share of equity, end of year	**$ 243**	$ 190
Fair value, end of year	**$ 418**	$ 317

The Company and IGM both have a year-end date of December 31. The Company's year-end results are approved and reported before IGM publicly reports its financial result; therefore, the Company reports IGM's financial information by estimating the amount of earnings attributable to the Company, based on prior quarter information as well as other market expectations, to complete equity method accounting. The difference between actual and estimated results is reflected in the subsequent quarter and is not material to the Company's consolidated financial statements.

IGM's financial information as at December 31, 2021 can be obtained in its publicly available information.

(d) Included in portfolio investments are the following:

(i) Carrying amount of impaired investments

	2021	2020
Impaired amounts by classification		
Fair value through profit or loss	**$ 6**	$ 8
Available-for-sale	**–**	2
Loans and receivables	**71**	23
Total	**$ 77**	$ 33

The carrying amount of impaired investments includes $6 bonds and $71 mortgage loans at December 31, 2021 ($10 bonds and $23 mortgage loans at December 31, 2020). The above carrying values for loans and receivables are net of allowances of $28 at December 31, 2021 and $57 at December 31, 2020.

(ii) The allowance for credit losses and changes in the allowance for credit losses related to investments classified as loans and receivables are as follows:

	2021			2020		
	Bonds	**Mortgage loans**	**Total**	Bonds	Mortgage loans	Total
Balance, beginning of year	**$ –**	**$ 57**	**$ 57**	$ –	$ 51	$ 51
Net provision for credit losses – in year	**–**	**30**	**30**	–	16	16
Write-offs, net of recoveries	**–**	**(59)**	**(59)**	–	(10)	(10)
Balance, end of year	**$ –**	**$ 28**	**$ 28**	$ –	$ 57	$ 57

The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

6. Portfolio Investments (cont'd)

(e) Net investment income comprises the following:

	2021					
	Bonds	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	$ 2,915	$ 744	$ 355	$ 422	$ 345	$ 4,781
Net realized gains						
Available-for-sale	8	–	8	–	–	16
Other classifications	4	45	7	–	–	56
Net allowances for credit losses on loans and receivables	–	(30)	–	–	–	(30)
Other income (expenses)	–	–	–	(145)	(176)	(321)
	2,927	759	370	277	169	4,502
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	(102)	–	–	–	–	(102)
Designated fair value through profit or loss	(3,782)	(121)	2,110	–	40	(1,753)
Recorded at fair value through profit or loss	–	–	–	615	–	615
	(3,884)	(121)	2,110	615	40	(1,240)
Total	$ (957)	$ 638	$ 2,480	$ 892	$ 209	$ 3,262

	2020					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 2,878	$ 743	$ 342	$ 397	$ 256	$ 4,616
Net realized gains						
Available-for-sale	123	–	3	–	–	126
Other classifications	21	33	245	–	–	299
Net allowances for credit losses on loans and receivables	–	(16)	–	–	–	(16)
Other income (expenses)	–	–	–	(126)	(140)	(266)
	3,022	760	590	271	116	4,759
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	77	–	–	–	–	77
Designated fair value through profit or loss	4,451	157	38	–	190	4,836
Recorded at fair value through profit or loss	–	–	–	(74)	–	(74)
	4,528	157	38	(74)	190	4,839
Total	$ 7,550	$ 917	$ 628	$ 197	$ 306	$ 9,598

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

(f) Transferred Financial Assets

The Company engages in securities lending to generate additional income. The Company's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with the Company's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2021, the Company had loaned securities (which are included in invested assets) with a fair value of $10,362 ($8,668 at December 31, 2020).

7. Funds Held by Ceding Insurers

At December 31, 2021, the Company had amounts on deposit of $7,555 ($8,455 at December 31, 2020) for funds held by ceding insurers on the Consolidated Balance Sheets. Income and expenses arising from the agreements are included in net investment income in the Consolidated Statements of Earnings.

The details of the funds on deposit for certain agreements where the Company has credit risk are as follows:

(a) Carrying values and estimated fair values:

	2021		2020	
	Carrying value	**Fair value**	Carrying value	Fair value
Cash and cash equivalents	**$ 158**	**$ 158**	$ 233	$ 233
Bonds	**5,268**	**5,268**	6,097	6,097
Other assets	**59**	**59**	67	67
Total	**$ 5,485**	**$ 5,485**	$ 6,397	$ 6,397
Supporting:				
Reinsurance liabilities	**$ 5,267**	**$ 5,267**	$ 6,166	$ 6,166
Surplus	**218**	**218**	231	231
Total	**$ 5,485**	**$ 5,485**	$ 6,397	$ 6,397

(b) The following provides details of the carrying value of bonds included in the funds on deposit by issuer and industry sector:

	2021	2020
Bonds issued or guaranteed by:		
Treasuries	**$ 659**	$ 572
Government related	**1,037**	1,287
Non-agency securitized	**524**	648
Financials	**1,028**	1,256
Communications	**123**	132
Consumer products	**422**	492
Energy	**204**	225
Industrials	**253**	298
Technology	**75**	57
Transportation	**139**	182
Utilities	**804**	948
Total	**$ 5,268**	$ 6,097

(c) Asset quality

Bond Portfolio by Credit Rating

	2021	2020
AAA	**$ 402**	$ 580
AA	**2,291**	2,394
A	**2,013**	2,371
BBB	**510**	698
BB and lower	**52**	54
Total	**$ 5,268**	$ 6,097

8. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks.

The following sections describe how the Company manages each of these risks.

(a) Credit Risk

Credit risk is the risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations.

The following policies and procedures are in place to manage this risk:

- Investment and risk policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment and risk limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the Risk Committee and the Investment Committee of the Board of Directors.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. The Company manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimize reinsurance credit risk by setting rating based limits on net ceded exposure by counterparty as well as seeking protection in the form of collateral or funds withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

(i) Maximum Exposure to Credit Risk

The following summarizes the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2021	2020
Cash and cash equivalents	**$ 3,271**	$ 3,105
Bonds		
Fair value through profit or loss	**75,489**	76,053
Available-for-sale	**9,492**	9,902
Loans and receivables	**16,348**	14,653
Mortgage loans	**23,113**	22,263
Loans to policyholders	**3,480**	3,447
Funds held by ceding insurers (1)	**7,555**	8,455
Reinsurance assets	**8,794**	8,924
Interest due and accrued	**876**	964
Accounts receivable	**2,042**	1,880
Premiums in course of collection	**1,923**	1,681
Trading account assets	**146**	156
Finance leases receivable	**433**	404
Other assets (2)	**344**	152
Derivative assets	**582**	669
Total	**$ 153,888**	$ 152,708

(1) Includes $5,485 ($6,397 at December 31, 2020) of funds held by ceding insurers where the Company retains the credit risk of the assets supporting the liabilities ceded (note 7).

(2) Includes items such as current income taxes receivable and miscellaneous other assets of the Company (note 12).

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Company has $65 of collateral received from counterparties as at December 31, 2021 ($141 at December 31, 2020) relating to derivative assets.

(ii) Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single obligor, a group of related obligors or groups of obligors that have similar credit risk characteristics and operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

The following provides details of the carrying value of bonds by issuer, industry sector and business unit:

	2021				
	Canada	**Europe**	**Capital and Risk Solutions**	**Corporate**	**Total**
Bonds issued or guaranteed by:					
Treasuries	**$ 529**	**$ 10,334**	**$ 4,735**	**$ 50**	**$ 15,648**
Government related	**19,501**	**8,694**	**349**	**199**	**28,743**
Agency securitized	**178**	**–**	**17**	**17**	**212**
Non-agency securitized	**2,215**	**1,149**	**158**	**381**	**3,903**
Financials	**3,794**	**5,748**	**920**	**191**	**10,653**
Communications	**1,104**	**1,032**	**109**	**27**	**2,272**
Consumer products	**4,029**	**2,412**	**733**	**209**	**7,383**
Energy	**2,602**	**482**	**315**	**84**	**3,483**
Industrials	**2,092**	**1,393**	**345**	**152**	**3,982**
Technology	**729**	**411**	**314**	**18**	**1,472**
Transportation	**3,674**	**897**	**135**	**56**	**4,762**
Utilities	**9,971**	**4,480**	**502**	**399**	**15,352**
Total long-term bonds	**50,418**	**37,032**	**8,632**	**1,783**	**97,865**
Short-term bonds	**2,618**	**644**	**197**	**5**	**3,464**
Total	**$ 53,036**	**$ 37,676**	**$ 8,829**	**$ 1,788**	**$ 101,329**

	2020				
	Canada	Europe	Capital and Risk Solutions	Corporate	Total
Bonds issued or guaranteed by:					
Treasuries	$ 586	$ 10,282	$ 1,372	$ 50	$ 12,290
Government related	20,555	9,287	316	222	30,380
Agency securitized	178	–	17	21	216
Non-agency securitized	2,057	1,402	126	215	3,800
Financials	4,361	5,880	606	237	11,084
Communications	1,142	1,124	95	28	2,389
Consumer products	4,197	2,816	752	251	8,016
Energy	2,453	675	254	94	3,476
Industrials	2,022	1,329	402	225	3,978
Technology	557	299	255	21	1,132
Transportation	3,409	977	150	55	4,591
Utilities	10,091	4,811	549	462	15,913
Total long-term bonds	51,608	38,882	4,894	1,881	97,265
Short-term bonds	1,830	1,066	447	–	3,343
Total	$ 53,438	$ 39,948	$ 5,341	$ 1,881	$ 100,608

8. Financial Instruments Risk Management (cont'd)

The following provides details of the carrying value of mortgage loans by business unit:

	2021				
	Canada	**Europe**	**Capital and Risk Solutions**	**Corporate**	**Total**
Single family residential	**$ 1,979**	**$ –**	**$ –**	**$ –**	**$ 1,979**
Multi-family residential	**4,297**	**792**	**38**	**203**	**5,330**
Equity release	**1,063**	**1,546**	**–**	**–**	**2,609**
Commercial	**9,364**	**3,553**	**50**	**228**	**13,195**
Total	**$ 16,703**	**$ 5,891**	**$ 88**	**$ 431**	**$ 23,113**

	2020				
	Canada	Europe	Capital and Risk Solutions	Corporate	Total
Single family residential	$ 2,063	$ –	$ –	$ –	$ 2,063
Multi-family residential	4,331	684	41	206	5,262
Equity release	759	1,261	–	–	2,020
Commercial	8,883	3,801	23	211	12,918
Total	$ 16,036	$ 5,746	$ 64	$ 417	$ 22,263

(iii) Asset Quality

Bond Portfolio by Credit Rating

	2021	2020
AAA	**$ 14,044**	$ 15,615
AA	**31,350**	31,513
A	**35,701**	34,141
BBB	**19,837**	18,997
BB and lower	**397**	342
Total	**$ 101,329**	$ 100,608

Derivative Portfolio by Credit Rating

	2021	2020
Over-the-counter contracts (counterparty ratings):		
AA	**$ 336**	$ 324
A	**245**	344
Exchange-traded	**1**	1
Total	**$ 582**	$ 669

(iv) Loans Past Due, But Not Impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of collection of the full amount of principal and interest due. The following provides carrying values of the loans past due, but not impaired:

	2021	2020
Less than 30 days	**$ 27**	$ 7
30 – 90 days	**3**	28
Greater than 90 days	**7**	10
Total	**$ 37**	$ 45

(v) The following outlines the future asset credit losses provided for in insurance contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2021	2020
Participating	**$ 1,344**	$ 1,153
Non-participating	**1,257**	1,401
Total	**$ 2,601**	$ 2,554

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 67% (approximately 68% in 2020) of insurance and investment contract liabilities are non-cashable prior to maturity or claim or subject to fair value adjustments.
- Management closely monitors the solvency and capital positions of the Company and its principal subsidiaries opposite liquidity requirements. Additional liquidity is available through established lines of credit or via capital markets.

In the normal course of business the Company enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following summarizes the principal repayment schedule for certain of the Company's financial liabilities.

	Payments due by period						
	Total	1 year	2 years	3 years	4 years	5 years	Over 5 years
Debentures and other debt instruments	$ 588	$ –	$ –	$ –	$ –	$ –	$ 588
Capital trust securities (1)	150	–	–	–	–	–	150
Purchase obligations	134	47	22	12	12	8	33
Pension contributions	197	197	–	–	–	–	–
Total	**$ 1,069**	**$ 244**	**$ 22**	**$ 12**	**$ 12**	**$ 8**	**$ 771**

(1) Payments due have not been reduced to reflect that the Company held capital trust securities of $37 principal amount ($53 carrying value).

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities

These consolidated financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,
- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. The Company has net investments in foreign operations. The Company's debt obligations are denominated in Canadian dollars and euros. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total equity. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

The following policies and procedures are in place to mitigate the Company's exposure to currency risk:

- The Company uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented Investment Guidelines include maximum tolerances for unhedged currency mismatch exposures.
- For assets backing liabilities not matched by currency, the Company would normally convert the assets back to the currency of the liability using foreign exchange contracts.
- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change in net earnings.

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability. The following policies and procedures are in place to mitigate the Company's exposure to interest rate risk:

- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims) the Company generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or equities as described below.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.10% in 2021 (0.10% in 2020). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk because the Company's sensitivity to interest rate movements varies at different terms.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities.

The following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

	2021		**2020**	
	1% increase	**1% decrease** [1]	1% increase	1% decrease [1]
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (219)**	**$ 678**	$ (297)	$ 785
Increase (decrease) in net earnings	**$ 197**	**$ (555)**	$ 231	$ (604)

(1) For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash-flows are supported by publicly traded common stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, and equity release mortgages. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common stocks and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that there is a greater impact on net earnings from larger falls in equity values, relative to the change in equity values. Falls in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on insurance and investment contract liabilities and on the shareholder net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities and hedge assets.

	2021				2020			
	20% increase	**10% increase**	**10% decrease**	**20% decrease**	20% increase	10% increase	10% decrease	20% decrease
Change in publicly traded common stock values								
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (26)**	**$ (16)**	**$ 22**	**$ 76**	$ (34)	$ (18)	$ 62	$ 264
Increase (decrease) in net earnings	**$ 21**	**$ 13**	**$ (19)**	**$ (66)**	$ 28	$ 15	$ (51)	$ (208)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the shareholder net earnings of the Company. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	2021				2020			
	10% increase	**5% increase**	**5% decrease**	**10% decrease**	10% increase	5% increase	5% decrease	10% decrease
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (92)**	**$ (46)**	**$ 38**	**$ 144**	$ (41)	$ (8)	$ 88	$ 138
Increase (decrease) in net earnings	**$ 79**	**$ 39**	**$ (30)**	**$ (112)**	$ 34	$ 6	$ (69)	$ (108)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common stocks and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market falls.

The best estimate return assumptions for publicly traded common stocks and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

	2021		2020	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	**$ (715)**	**$ 829**	$ (691)	$ 861
Increase (decrease) in net earnings	**$ 567**	**$ (649)**	$ 556	$ (682)

(d) Enforceable Master Netting Arrangements or Similar Agreements

The Company enters into International Swaps and Derivative Association's (ISDA's) master agreements for transacting over-the-counter derivatives. The Company receives and pledges collateral according to the related ISDA's Credit Support Annexes. The ISDA's master agreements do not meet the criteria for offsetting on the Consolidated Balance Sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

For exchange-traded derivatives subject to derivative clearing agreements with the exchanges and clearinghouses, there is no provision for set-off at default. Initial margin is excluded from the table within this disclosure as it would become part of a pooled settlement process.

The table sets out the potential effect on the Company's Consolidated Balance Sheets on financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the Consolidated Balance Sheets.

	2021			
		Related amounts not set-off in the Balance Sheet		
	Gross amount of financial instruments presented in the Balance Sheet	**Offsetting counterparty position (1)**	**Financial collateral received/ pledged (2)**	**Net exposure**
Financial instruments – assets				
Derivative financial instruments	**$ 582**	**$ (502)**	**$ (52)**	**$ 28**
Total financial instruments – assets	**$ 582**	**$ (502)**	**$ (52)**	**$ 28**
Financial instruments – liabilities				
Derivative financial instruments	**$ 1,005**	**$ (502)**	**$ (279)**	**$ 224**
Total financial instruments – liabilities	**$ 1,005**	**$ (502)**	**$ (279)**	**$ 224**

	2020			
		Related amounts not set-off in the Balance Sheet		
	Gross amount of financial instruments presented in the Balance Sheet	Offsetting counterparty position (1)	Financial collateral received/ pledged (2)	Net exposure
Financial instruments – assets				
Derivative financial instruments	$ 669	$ (537)	$ (90)	$ 42
Total financial instruments – assets	$ 669	$ (537)	$ (90)	$ 42
Financial instruments – liabilities				
Derivative financial instruments	$ 1,150	$ (537)	$ (355)	$ 258
Total financial instruments – liabilities	$ 1,150	$ (537)	$ (355)	$ 258

(1) Includes counterparty amounts recognized on the Consolidated Balance Sheets where the Company has a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheet, excluding collateral.

(2) Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. At December 31, 2021, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $65 ($141 at December 31, 2020), and pledged on derivative liabilities was $465 ($533 at December 31, 2020).

9. Fair Value Measurement

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

9. Fair Value Measurement (cont'd)

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties and equity release mortgages.

The following presents the Company's assets and liabilities measured at fair value on a recurring basis by hierarchy level:

	2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash and cash equivalents	$ 3,271	$ –	$ –	$ 3,271
Financial assets at fair value through profit or loss				
Bonds	–	75,389	100	75,489
Mortgage loans	–	–	2,609	2,609
Stocks	11,382	–	1,372	12,754
Total financial assets at fair value through profit or loss	11,382	75,389	4,081	90,852
Available-for-sale financial assets				
Bonds	–	9,492	–	9,492
Stocks	–	–	16	16
Total available-for-sale financial assets	–	9,492	16	9,508
Investment properties	–	–	7,759	7,759
Funds held by ceding insurers	158	5,268	–	5,426
Derivatives (1)	1	581	–	582
Reinsurance assets	–	106	–	106
Other assets – trading assets	146	–	–	146
Total assets measured at fair value	$ 14,958	$ 90,836	$ 11,856	$ 117,650
Liabilities measured at fair value				
Derivatives (2)	$ 3	$ 1,002	$ –	$ 1,005
Investment contract liabilities	–	1,646	–	1,646
Total liabilities measured at fair value	$ 3	$ 2,648	$ –	$ 2,651

(1) Excludes collateral received from counterparties of $65.

(2) Excludes collateral pledged to counterparties of $370.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the year.

	2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash and cash equivalents	$ 3,105	$ –	$ –	$ 3,105
Financial assets at fair value through profit or loss				
Bonds	–	75,980	73	76,053
Mortgage loans	–	–	2,020	2,020
Stocks	8,698	4	1,312	10,014
Total financial assets at fair value through profit or loss	8,698	75,984	3,405	88,087
Available-for-sale financial assets				
Bonds	–	9,902	–	9,902
Stocks	–	–	8	8
Total available-for-sale financial assets	–	9,902	8	9,910
Investment properties	–	–	6,267	6,267
Funds held by ceding insurers	233	6,097	–	6,330
Derivatives (1)	1	668	–	669
Reinsurance assets	–	130	–	130
Other assets – trading assets	156	–	–	156
Total assets measured at fair value	$ 12,193	$ 92,781	$ 9,680	$ 114,654
Liabilities measured at fair value				
Derivatives (2)	$ 5	$ 1,145	$ –	$ 1,150
Investment contract liabilities	–	1,671	–	1,671
Total liabilities measured at fair value	$ 5	$ 2,816	$ –	$ 2,821

(1) Excludes collateral received from counterparties of $141.

(2) Excludes collateral pledged to counterparties of $435.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the year.

9. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis which the Company classifies as Level 3 in the fair value hierarchy:

	2021					
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks (3)	Available for-sale stocks	Investment properties	Total Level 3 assets
Balance, beginning of year	$ 73	$ 2,020	$ 1,312	$ 8	$ 6,267	$ 9,680
Total gains (losses)						
Included in net earnings	4	(121)	125	–	615	623
Included in other comprehensive income (1)	(5)	(21)	–	4	(53)	(75)
Purchases	28	–	591	4	970	1,593
Issues	–	896	–	–	–	896
Sales	–	–	(199)	–	(40)	(239)
Settlements	–	(165)	–	–	–	(165)
Transfers into Level 3 (2)	–	–	–	–	–	–
Transfers out of Level 3 (2)	–	–	(457)	–	–	(457)
Balance, end of year	$ 100	$ 2,609	$ 1,372	$ 16	$ 7,759	$ 11,856
Total gains (losses) for the year included in net investment income	$ 4	$ (121)	$ 125	$ –	$ 615	$ 623
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2021	$ 4	$ (115)	$ 122	$ –	$ 621	$ 632

(1) Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.

(2) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

(3) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

	2020					
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks [4]	Available for-sale stocks	Investment properties	Total Level 3 assets
Balance, beginning of year	$ 67	$ 1,314	$ 677	$ 4	$ 5,884	$ 7,946
Total gains (losses)						
Included in net earnings	2	156	16	–	(74)	100
Included in other comprehensive income [1]	4	15	–	1	21	41
Purchases	–	–	341	3	481	825
Issues	–	622	–	–	–	622
Sales	–	–	(79)	–	(73)	(152)
Settlements	–	(87)	–	–	–	(87)
Transferred from owner occupied properties [2]	–	–	–	–	28	28
Transfers into Level 3 [3]	–	–	357	–	–	357
Transfers out of Level 3 [3]	–	–	–	–	–	–
Balance, end of year	$ 73	$ 2,020	$ 1,312	$ 8	$ 6,267	$ 9,680
Total gains (losses) for the year included in net investment income	$ 2	$ 156	$ 16	$ –	$ (74)	$ 100
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2020	$ 2	$ 145	$ 17	$ –	$ (73)	$ 91

(1) Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.

(2) As a result of the sale of Irish Progressive Services International Limited (IPSI), a property with a fair value of $28 was reclassified from owner occupied properties to investment properties. The reclassification resulted in the recognition of revaluation surplus on the transfer to investment properties of $11 and income tax expense of $(1) in the Consolidated Statements of Comprehensive Income.

(3) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investment in mutual and segregated funds.

(4) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

On March 20, 2020, Canada Life temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, its Canadian real estate investment funds as the COVID-19 pandemic impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual. As a result of these restrictions, the Company's investment in these funds with a fair value of $357 was transferred on March 20, 2020 from Level 1 to Level 3.

On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. As a result of the lifting of these temporary suspensions, the Company's investment in these funds with a fair value of $457 was transferred on April 19, 2021 from Level 3 to Level 1.

9. Fair Value Measurement (cont'd)

The following sets out information about significant unobservable inputs used at year-end in measuring assets categorized as Level 3 in the fair value hierarchy:

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate Reversionary rate Vacancy rate	Range of 3.3% – 12.4% Range of 3.5% – 7.0% Weighted average of 2.5%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value. A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value. A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans – equity release mortgages (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long term care of the loanholders.	Discount rate	Range of 3.5% – 4.7%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

The following presents the Company's assets and liabilities disclosed at fair value on a recurring basis by hierarchy level:

	2021				
	Level 1	**Level 2**	**Level 3**	**Other assets/ liabilities not held at fair value**	**Total**
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	$ –	$ 18,059	$ 47	$ 83	$ 18,189
Mortgage loans	–	21,231	–	–	21,231
Loans to policyholders	–	3,480	–	–	3,480
Total loans and receivables financial assets	–	42,770	47	83	42,900
Available-for-sale financial assets					
Stocks (1)	–	–	–	8	8
Other stocks (2)	418	–	–	108	526
Funds held by ceding insurers	–	–	–	59	59
Total assets disclosed at fair value	$ 418	$ 42,770	$ 47	$ 258	$ 43,493
Liabilities disclosed at fair value					
Debentures and other debt instruments	$ –	$ 340	$ –	$ 488	$ 828
Total liabilities disclosed at fair value	$ –	$ 340	$ –	$ 488	$ 828

(1) Fair value of certain stocks available for sale cannot be reliably measured, therefore, these investments are recorded at cost.
(2) Other stocks include the Company's investment in IGM.

	2020				
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	Total
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	$ –	$ 17,308	$ 52	$ 83	$ 17,443
Mortgage loans	–	21,892	–	–	21,892
Loans to policyholders	–	3,447	–	–	3,447
Total loans and receivables financial assets	–	42,647	52	83	42,782
Available-for-sale financial assets					
Stocks (1)	–	–	–	8	8
Other stocks (2)	317	–	–	80	397
Funds held by ceding insurers	–	–	–	67	67
Total assets disclosed at fair value	$ 317	$ 42,647	$ 52	$ 238	$ 43,254
Liabilities disclosed at fair value					
Debentures and other debt instruments	$ –	$ 357	$ –	$ 510	$ 867
Total liabilities disclosed at fair value	$ –	$ 357	$ –	$ 510	$ 867

(1) Fair value of certain stocks available for sale cannot be reliably measured, therefore, these investments are recorded at cost.
(2) Other stocks include the Company's investment in IGM.

10. Goodwill and Intangible Assets

(a) Goodwill

(i) The carrying value of goodwill, all in the shareholder account segment, and changes in the carrying value of goodwill are as follows:

	2021	2020
Cost		
Balance, beginning of year	**$ 6,421**	$ 6,319
Business acquisitions and dispositions	**46**	75
Allocated to intangible assets	**–**	(12)
Changes in foreign exchange rates	**(50)**	39
Balance, end of year	**$ 6,417**	$ 6,421
Accumulated impairment		
Balance, beginning of year	**$ (35)**	$ (19)
Impairment	**–**	(16)
Balance, end of year	**$ (35)**	$ (35)
Net carrying amount	**$ 6,382**	$ 6,386

(ii) Within the major geographies of the Company, goodwill has been assigned to cash generating unit groupings, representing the lowest level in which goodwill is monitored for internal reporting purposes. The Company does not allocate insignificant amounts of goodwill across multiple cash generating unit groupings. Goodwill is tested for impairment by comparing the carrying value of each cash generating unit grouping to which goodwill has been assigned to its recoverable amount as follows:

	2021	2020
Canada		
Group Customer	**$ 1,468**	$ 1,452
Individual Customer	**2,535**	2,539
Europe	**2,379**	2,395
Total	**$ 6,382**	$ 6,386

(b) Intangible Assets

Intangible assets of $2,362 ($2,250 as at December 2020) include indefinite life and finite life intangible assets. The carrying value and changes in the carrying value of these intangible assets are as follows:

(i) Indefinite life intangible assets:

	2021			
	Brands and trademarks	**Customer contract related**	**Shareholders' portion of acquired future participating account profit**	**Total**
Cost				
Balance, beginning of year	**$ 535**	**$ 384**	**$ 354**	**$ 1,273**
Changes in foreign exchange rates	**(15)**	**–**	**–**	**(15)**
Balance, end of year	**$ 520**	**$ 384**	**$ 354**	**$ 1,258**
Accumulated impairment				
Balance, beginning of year	**$ (37)**	**$ –**	**$ –**	**$ (37)**
Changes in foreign exchange rates	**3**	**–**	**–**	**3**
Balance, end of year	**$ (34)**	**$ –**	**$ –**	**$ (34)**
Net carrying amount	**$ 486**	**$ 384**	**$ 354**	**$ 1,224**

	2020			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Cost				
Balance, beginning of year	$ 522	$ 354	$ 354	$ 1,230
Additions	–	30	–	30
Changes in foreign exchange rates	13	–	–	13
Balance, end of year	$ 535	$ 384	$ 354	$ 1,273
Accumulated impairment				
Balance, beginning of year	$ (34)	$ –	$ –	$ (34)
Changes in foreign exchange rates	(3)	–	–	(3)
Balance, end of year	$ (37)	$ –	$ –	$ (37)
Net carrying amount	$ 498	$ 384	$ 354	$ 1,236

(ii) Indefinite life intangible assets have been assigned to cash generating unit groupings as follows:

	2021	2020
Canada		
Group Customer	**$ 354**	$ 354
Individual Customer	**649**	649
Europe	**221**	233
Total	**$ 1,224**	$ 1,236

10. Goodwill and Intangible Assets (cont'd)

(iii) Finite life intangible assets:

	2021			
	Customer contract related	**Distribution channels**	**Software**	**Total**
Amortization period range	**7 – 30 years**	**30 years**	**3 – 10 years**	
Amortization method	**Straight-line**	**Straight-line**	**Straight-line**	
Cost				
Balance, beginning of year	**$ 767**	**$ 111**	**$ 1,304**	**$ 2,182**
Additions	**63**	**–**	**251**	**314**
Changes in foreign exchange rates	**(15)**	**(4)**	**(22)**	**(41)**
Disposals	**–**	**–**	**(16)**	**(16)**
Balance, end of year	**$ 815**	**$ 107**	**$ 1,517**	**$ 2,439**
Accumulated amortization and impairment				
Balance, beginning of year	**$ (440)**	**$ (65)**	**$ (663)**	**$ (1,168)**
Changes in foreign exchange rates	**4**	**3**	**11**	**18**
Disposals	**–**	**–**	**14**	**14**
Amortization	**(42)**	**(4)**	**(119)**	**(165)**
Balance, end of year	**$ (478)**	**$ (66)**	**$ (757)**	**$ (1,301)**
Net carrying amount	**$ 337**	**$ 41**	**$ 760**	**$ 1,138**

	2020			
	Customer contract related	Distribution channels	Software	Total
Amortization period range	7 – 30 years	30 years	3 – 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	
Cost				
Balance, beginning of year	$ 701	$ 108	$ 1,083	$ 1,892
Additions	49	–	239	288
Changes in foreign exchange rates	17	3	17	37
Disposals	–	–	(35)	(35)
Balance, end of year	$ 767	$ 111	$ 1,304	$ 2,182
Accumulated amortization and impairment				
Balance, beginning of year	$ (390)	$ (60)	$ (569)	$ (1,019)
Changes in foreign exchange rates	(10)	(1)	(12)	(23)
Disposals	–	–	29	29
Amortization	(40)	(4)	(111)	(155)
Balance, end of year	$ (440)	$ (65)	$ (663)	$ (1,168)
Net carrying amount	$ 327	$ 46	$ 641	$ 1,014

The weighted average remaining amortization period of the customer contract related and distribution channels are 16 and 12 years respectively (15 and 13 years respectively at December 31, 2020).

(c) Recoverable Amount

For the purposes of annual impairment testing, the Company allocates indefinite life intangibles to cash generating units and goodwill to cash generating unit groupings. Any potential impairment of indefinite life intangible assets is identified by comparing the recoverable amount of a cash generating unit to its carrying value. Any potential impairment of goodwill is identified by comparing the recoverable amount of a cash generating unit grouping to its carrying value.

Fair value is initially assessed with reference to valuation multiples of comparable publicly-traded financial institutions and precedent business acquisition transactions. The calculations utilize earnings and cash flow projections based on financial budgets approved by management. These valuation multiples may include price-to-earnings or price-to-book measures for life insurers and asset managers. This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 inputs.

In the fourth quarter of 2021, the Company conducted its annual impairment testing of intangible assets and goodwill based on September 30, 2021 asset balances. It was determined that the recoverable amounts of cash generating units for intangible assets and cash generating unit groupings for goodwill were in excess of their carrying values and there was no evidence of impairment.

Any reasonable changes in assumptions and estimates used in determining recoverable amounts of cash generating units or cash generating unit groupings is unlikely to cause carrying values to exceed recoverable amounts.

11. Owner Occupied Properties and Fixed Assets

The carrying value of owner occupied properties and the changes in the carrying value of owner occupied properties are as follows:

	2021	2020
Carrying value, beginning of year	**$ 657**	$ 627
Less: accumulated depreciation/impairments	**(102)**	(90)
Net carrying value, beginning of year	**555**	537
Additions	**21**	38
Disposals	**(1)**	–
Transferred to investment properties [1]	**–**	(17)
Depreciation	**(14)**	(12)
Foreign exchange	**(9)**	9
Net carrying value, end of year	**$ 552**	$ 555

(1) As a result of the sale of IPSI in 2020, a property with a carrying value of $17 was reclassified from owner occupied properties to investment properties.

The net carrying value of fixed assets is $288 at December 31, 2021 ($292 at December 31, 2020).

There are no restrictions on the title of the owner occupied properties and fixed assets, nor are they pledged as security for debt.

12. Other Assets

	2021	2020
Deferred acquisition costs	**$ 522**	$ 550
Right-of-use assets	**186**	217
Finance leases receivable	**433**	404
Defined benefit pension plan assets (note 23)	**363**	240
Trading account assets	**146**	156
Prepaid expenses	**84**	79
Miscellaneous other assets	**102**	65
Total	**$ 1,836**	$ 1,711

Total other assets of $362 ($330 at December 31, 2020) are expected to be realized within 12 months from the reporting date. This amount excludes deferred acquisition costs, the changes in which are noted below.

Deferred acquisition costs	2021	2020
Balance, beginning of year	**$ 550**	$ 552
Additions	**78**	60
Amortization	**(45)**	(49)
Changes in foreign exchange rates	**(34)**	28
Disposals	**(27)**	(41)
Balance, end of year	**$ 522**	$ 550

	2021		
Right-of-use assets	**Property**	**Equipment**	**Total**
Cost, beginning of year	**$ 298**	**$ 6**	**$ 304**
Additions	**15**	**5**	**20**
Modifications	**(10)**	**(1)**	**(11)**
Changes in foreign exchange rates	**(1)**	**–**	**(1)**
Cost, end of year	**$ 302**	**$ 10**	**$ 312**
Accumulated amortization, beginning of year	**$ (83)**	**$ (4)**	**$ (87)**
Amortization	**(41)**	**(1)**	**(42)**
Modifications	**4**	**–**	**4**
Changes in foreign exchange rates	**(1)**	**–**	**(1)**
Accumulated amortization, end of year	**$ (121)**	**$ (5)**	**$ (126)**
Carrying amount, end of year	**$ 181**	**$ 5**	**$ 186**

	2020		
	Property	Equipment	Total
Cost, beginning of year	$ 272	$ 5	$ 277
Additions	24	1	25
Modifications	(1)	–	(1)
Changes in foreign exchange rates	3	–	3
Cost, end of year	$ 298	$ 6	$ 304
Accumulated amortization, beginning of year	$ (39)	$ (2)	$ (41)
Amortization	(42)	(2)	(44)
Changes in foreign exchange rates	(2)	–	(2)
Accumulated amortization, end of year	$ (83)	$ (4)	$ (87)
Carrying amount, end of year	$ 215	$ 2	$ 217

Finance leases receivable

The Company has a finance lease on one property in Canada which has been leased for a 25-year term. The Company has six finance leases on properties in Europe. These properties have been leased for terms ranging between 27 and 40 years.

The terms to maturity of the lease payments receivable are as follows:

	2021	2020
One year or less	$ 30	$ 30
Over one year to two years	31	30
Over two years to three years	32	30
Over three years to four years	33	30
Over four years to five years	33	30
Over five years	717	662
Total undiscounted lease payments	876	812
Less: unearned finance lease income	443	408
Total finance leases receivable	$ 433	$ 404
Finance income on the net investment in the leases	$ 27	$ 26

13. Insurance and Investment Contract Liabilities

(a) Insurance and investment contract liabilities

	2021		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 148,884	$ 8,688	$ 140,196
Investment contract liabilities	1,646	106	1,540
Total	$ 150,530	$ 8,794	$ 141,736

	2020		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 144,333	$ 8,794	$ 135,539
Investment contract liabilities	1,671	130	1,541
Total	$ 146,004	$ 8,924	$ 137,080

(b) Composition of insurance and investment contract liabilities and related supporting assets

(i) The composition of insurance and investment contract liabilities is as follows:

	2021		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 50,049	$ (115)	$ 50,164
Europe	141	–	141
Capital and Risk Solutions	886	–	886
Corporate	2,339	(4)	2,343
Non-Participating			
Canada	34,780	207	34,573
Europe	47,215	6,197	41,018
Capital and Risk Solutions	13,146	571	12,575
Corporate	1,974	1,938	36
Total	$ 150,530	$ 8,794	$ 141,736

13. Insurance and Investment Contract Liabilities (cont'd)

	2020		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 46,107	$ (199)	$ 46,306
Europe	155	–	155
Capital and Risk Solutions	912	–	912
Corporate	2,442	(4)	2,446
Non-Participating			
Canada	35,449	638	34,811
Europe	48,088	5,622	42,466
Capital and Risk Solutions	10,562	619	9,943
Corporate	2,289	2,248	41
Total	$ 146,004	$ 8,924	$ 137,080

(ii) The composition of the assets supporting liabilities and equity is as follows:

	2021					
	Bonds	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Carrying value						
Participating liabilities						
Canada	**$ 21,370**	**$ 11,166**	**$ 8,522**	**$ 4,013**	**$ 4,978**	**$ 50,049**
Europe	**66**	**–**	**67**	**8**	**–**	**141**
Capital and Risk Solutions	**666**	**8**	**–**	**–**	**212**	**886**
Corporate	**1,666**	**424**	**–**	**–**	**249**	**2,339**
Non-participating liabilities						
Canada	**23,620**	**4,661**	**3,116**	**579**	**2,804**	**34,780**
Europe	**33,208**	**5,891**	**391**	**2,743**	**4,982**	**47,215**
Capital and Risk Solutions	**6,393**	**80**	**–**	**–**	**6,673**	**13,146**
Corporate	**19**	**–**	**–**	**–**	**1,955**	**1,974**
Other	**4,835**	**738**	**852**	**157**	**244,863**	**251,445**
Total equity	**9,486**	**145**	**304**	**259**	**14,235**	**24,429**
Total carrying value	**$ 101,329**	**$ 23,113**	**$ 13,252**	**$ 7,759**	**$ 280,951**	**$ 426,404**
Fair value	**$ 103,170**	**$ 23,840**	**$ 13,304**	**$ 7,759**	**$ 280,951**	**$ 429,024**

	2020					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 21,803	$ 10,545	$ 6,152	$ 2,983	$ 4,624	$ 46,107
Europe	84	–	62	9	–	155
Capital and Risk Solutions	688	12	–	–	212	912
Corporate	1,728	409	–	–	305	2,442
Non-participating liabilities						
Canada	23,898	4,498	2,789	360	3,904	35,449
Europe	34,941	5,746	332	2,536	4,533	48,088
Capital and Risk Solutions	2,365	52	–	–	8,145	10,562
Corporate	38	–	–	–	2,251	2,289
Other	4,727	804	751	141	220,806	227,229
Total equity	10,336	197	378	238	11,908	23,057
Total carrying value	$ 100,608	$ 22,263	$ 10,464	$ 6,267	$ 256,688	$ 396,290
Fair value	$ 103,398	$ 23,912	$ 10,427	$ 6,267	$ 256,688	$ 400,692

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are largely offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

(c) Change in insurance contract liabilities

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

	2021		
	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	**$ 49,616**	**$ (203)**	**$ 49,819**
Impact of new business	**(78)**	**–**	**(78)**
Normal change in force	**4,111**	**27**	**4,084**
Management action and changes in assumptions	**(223)**	**57**	**(280)**
Impact of foreign exchange rate changes	**(11)**	**–**	**(11)**
Balance, end of year	**$ 53,415**	**$ (119)**	**$ 53,534**

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	**$ 94,717**	**$ 8,997**	**$ 85,720**	**$ 135,539**
Impact of new business	**7,970**	**84**	**7,886**	**7,808**
Normal change in force	**(5,568)**	**(629)**	**(4,939)**	**(855)**
Management action and changes in assumptions	**(666)**	**(525)**	**(141)**	**(421)**
Business movement from/to external parties	**(613)**	**(37)**	**(576)**	**(576)**
Ark Life acquisition (note 3)	**1,257**	**1,238**	**19**	**19**
Impact of foreign exchange rate changes	**(1,628)**	**(321)**	**(1,307)**	**(1,318)**
Balance, end of year	**$ 95,469**	**$ 8,807**	**$ 86,662**	**$ 140,196**

	2020		
	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	$ 45,742	$ (252)	$ 45,994
Impact of new business	(7)	32	(39)
Normal change in force	3,903	8	3,895
Management action and changes in assumptions	55	8	47
Impact of foreign exchange rate changes	(77)	1	(78)
Balance, end of year	$ 49,616	$ (203)	$ 49,819

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	$ 89,716	$ 8,380	$ 81,336	$ 127,330
Impact of new business	2,561	161	2,400	2,361
Normal change in force	1,318	169	1,149	5,044
Management action and changes in assumptions	215	108	107	154
Business movement from/to external parties	(48)	–	(48)	(48)
Impact of foreign exchange rate changes	955	179	776	698
Balance, end of year	$ 94,717	$ 8,997	$ 85,720	$ 135,539

13. Insurance and Investment Contract Liabilities (cont'd)

Under IFRS, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in force above.

Effective October 15, 2021, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities. The revised standards include decreases to ultimate reinvestment rates, revised calibration criteria for stochastic risk-free interest rates and an increase to the maximum net credit spread on reinvestment over the long term.

In 2021, the major contributor to the increase in net insurance contract liabilities was the impact of new business of $7,808. This was partially offset by decreases due to the impact foreign exchange rate changes of $1,318, normal change in the in force business of $855, and business to external parties of $576.

Net non-participating insurance contract liabilities decreased by $141 in 2021 due to management actions and changes in assumptions. The decrease was primarily due to updated economic and asset related assumptions, which includes the net impact of the new standards, of $311, modeling refinements of $36, and updated longevity assumptions of $29. This was partially offset by increases due to updated policyholder behaviour assumptions of $152, mortality updates of $43, and updated morbidity assumptions of $37.

Net participating insurance contract liabilities decreased by $280 in 2021 due to management actions and changes in assumptions.

In 2020, the major contributors to the increase in net insurance contract liabilities were the normal change in the in force business of $5,044, the impact of new business of $2,361, and the impact of foreign exchange rate changes of $698.

Net non-participating insurance contract liabilities increased by $107 in 2020 due to management actions and changes in assumptions. The increase was primarily due to updated policyholder behaviour assumptions of $256, updated morbidity assumptions of $122, of which $114 is offset by an increase in other assets, and updated economic and asset related assumptions of $47. This was partially offset by decreases due to updated longevity assumptions of $278, and modeling refinements of $56.

Net participating insurance contract liabilities increased by $47 in 2020 due to management actions and changes in assumptions. The increase was primarily due to updated economic assumptions of $2,358, and updated policyholder behaviour assumptions of $34. This was partially offset by decreases due to provisions for future policyholder dividends of $1,899, updated expense and tax assumptions of $446, and modeling refinements of $5.

(d) Change in investment contract liabilities measured at fair value

	2021			2020		
	Gross liability	**Reinsurance assets**	**Net**	Gross liability	Reinsurance assets	Net
Balance, beginning of year	**$ 1,671**	**$ 130**	**$ 1,541**	$ 1,656	$ 127	$ 1,529
Normal change in force business	**15**	**38**	**(23)**	(110)	(20)	(90)
Investment experience	**(63)**	**(62)**	**(1)**	145	26	119
Management action and changes in assumptions	**–**	**–**	**–**	(4)	–	(4)
Ark Life acquisition (note 3)	**43**	**–**	**43**	–	–	–
Impact of foreign exchange rate changes	**(20)**	**–**	**(20)**	(16)	(3)	(13)
Balance, end of year	**$ 1,646**	**$ 106**	**$ 1,540**	$ 1,671	$ 130	$ 1,541

The carrying value of investment contract liabilities approximates their fair value.

(e) Gross premiums written and gross policyholder benefits

(i) Premium Income

	2021	2020
Direct premiums	**$ 22,311**	$ 20,484
Assumed reinsurance premiums	**32,029**	21,242
Total	**$ 54,340**	$ 41,726

(ii) Policyholder Benefits

	2021	2020
Direct	**$ 15,131**	$ 13,947
Assumed reinsurance	**28,270**	21,627
Total	**$ 43,401**	$ 35,574

(f) Actuarial Assumptions

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The methods for arriving at these valuation assumptions are outlined below:

Mortality

A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Improvement scales for life insurance and annuitant mortality are updated periodically based on population and industry studies, product specific considerations, as well as professional guidance. In addition, appropriate provisions have been made for future mortality deterioration on term insurance.

Annuitant mortality is also studied regularly and the results are used to modify established annuitant mortality tables.

Morbidity

The Company uses industry developed experience tables modified to reflect emerging Company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Property and casualty reinsurance

Insurance contract liabilities for property and casualty reinsurance written by entities within the Capital and Risk Solutions business unit are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In addition, insurance contract liabilities also include an amount for incurred but not reported losses which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated, and adjustments to estimates are reflected in earnings. Capital and Risk Solutions analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.

Investment returns

The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (note 8(c)).

Expenses

Contractual policy expenses (e.g. sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the Canadian Asset Liability Method as inflation is assumed to be correlated with new money interest rates.

Policy termination

Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company's most significant exposures are in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided the Company's assumptions for these products as the Company's own experience is very limited.

Utilization of elective policy options

There are a wide range of elective options embedded in the policies issued by the Company. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee re-sets (segregated fund maturity guarantees). The assumed rates of utilization are based on Company or industry experience when it exists and when not on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

Policyholder dividends and adjustable policy features

Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is the Company's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability on shareholders' earnings is reflected in the changes in best estimate assumptions above.

(g) Risk Management

(i) Insurance risk

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions including mortality, persistency, longevity, morbidity, expense variations and investment returns.

The Company is in the business of accepting risk associated with insurance contract liabilities. The objective of the Company is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of the Company's underwriting strategy guidelines, and through the use of reinsurance arrangements.

The following provides information about the Company's insurance contract liabilities sensitivities to management's best estimate of the approximate impact as a result of changes in assumptions used to determine the Company's liability associated with these contracts.

	Increase (decrease) in net earnings	
	2021	2020
Mortality – 2% increase	**$ (254)**	$ (266)
Annuitant mortality – 2% decrease	**$ (720)**	$ (755)
Morbidity – 5% adverse change	**$ (262)**	$ (279)
Investment returns		
Parallel shift in yield curve		
1% increase	**$ –**	$ –
1% decrease	**$ –**	$ –
Change in interest rates		
1% increase	**$ 197**	$ 231
1% decrease	**$ (555)**	$ (604)
Change in publicly traded common stock values		
20% increase	**$ 21**	$ 28
10% increase	**$ 13**	$ 15
10% decrease	**$ (19)**	$ (51)
20% decrease	**$ (66)**	$ (208)
Change in other non-fixed income asset values		
10% increase	**$ 79**	$ 34
5% increase	**$ 39**	$ 6
5% decrease	**$ (30)**	$ (69)
10% decrease	**$ (112)**	$ (108)
Change in best estimate return assumptions for equities		
1% increase	**$ 567**	$ 556
1% decrease	**$ (649)**	$ (682)
Expenses – 5% increase	**$ (119)**	$ (117)
Policy termination and renewal – 10% adverse change	**$ (729)**	$ (791)

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by business unit is described below.

	2021			2020		
	Gross liability	**Reinsurance assets**	**Net**	Gross liability	Reinsurance assets	Net
Canada	**$ 84,829**	**$ 92**	**$ 84,737**	$ 81,556	$ 439	$ 81,117
Europe	**47,356**	**6,197**	**41,159**	48,243	5,622	42,621
Capital and Risk Solutions	**14,032**	**571**	**13,461**	11,474	619	10,855
Corporate	**4,313**	**1,934**	**2,379**	4,731	2,244	2,487
Total	**$ 150,530**	**$ 8,794**	**$ 141,736**	$ 146,004	$ 8,924	$ 137,080

(ii) Reinsurance risk

Maximum limits per insured life benefit amount (which vary by line of business) are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Certain of the reinsurance contracts are on a funds withheld basis where the Company retains the assets supporting the reinsured insurance contract liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

14. Segregated Funds and Other Structured Entities

The Company offers segregated fund products in Canada and Europe that are referred to as segregated funds and unit-linked funds in the respective region. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select the segregated funds that hold a range of underlying investments. While the Company has legal title to the investments, there is a contractual obligation to pass along the investment results to the segregated fund policyholder and the Company segregates these investments from those of the Company.

In Canada, the segregated fund assets are legally separated from the general assets of the Company under the terms of the policyholder agreement and cannot be used to settle obligations of the Company. In Europe, the assets of the funds are functionally and constructively segregated from those of the Company. As a result of the legal and constructive arrangements of these funds, the assets and liabilities of these funds are presented as line items within the Consolidated Balance Sheets titled investments on account of segregated fund policyholders and with an equal liability titled investment and insurance contracts on account of segregated fund policyholders.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, the Company has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are $3,125 at December 31, 2021 ($1,490 at December 31, 2020).

Within the Consolidated Statements of Earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the Consolidated Balance Sheets. As these amounts do not directly impact the revenues and expenses of the Company, these amounts are not included separately in the Consolidated Statements of Earnings.

Segregated Funds Guarantee Exposure

The Company offers retail segregated fund products, and unitized with profits (UWP) products that provide for certain guarantees that are tied to the market values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are the Company's primary exposure on these funds. The Company accounts for these guarantees within insurance and investment contract liabilities within the consolidated financial statements. In addition to the Company's exposure on the guarantees, the fees earned by the Company on these products are impacted by the market value of these funds.

In Canada, the Company offers retail segregated fund products. These products provide guaranteed minimum death benefits (GMDB) and guaranteed minimum accumulation on maturity benefits.

In Europe, the Company offers UWP products in Germany and unit-linked products with investment guarantees in Ireland. These products are similar to segregated fund products but include minimum credited interest rates and pooling of policyholders' funds.

The Company also offers a guaranteed minimum withdrawal benefits (GMWB) product in Germany, and previously offered GMWB product in Canada and Ireland. Certain GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2021, the amount of GMWB product in-force in Canada, Ireland and Germany was $2,502 ($2,522 at December 31, 2020).

The following presents further details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of the Company's operations, on account of segregated fund policyholders:

(a) Investments on account of segregated fund policyholders

	2021	2020
Cash and cash equivalents	**$ 12,101**	$ 15,352
Bonds	**34,417**	34,396
Mortgage loans	**2,377**	2,686
Stocks and units in unit trusts	**134,541**	112,652
Mutual funds	**44,008**	39,181
Investment properties	**12,776**	12,430
	240,220	216,697
Accrued income	**311**	314
Other liabilities	**(3,156)**	(2,451)
Non-controlling mutual funds interest	**3,125**	1,490
Total	**$ 240,500**	$ 216,050

(b) Investment and insurance contracts on account of segregated fund policyholders

	2021	2020
Balance, beginning of year	**$ 216,050**	$ 199,589
Additions (deductions):		
Policyholder deposits	**23,978**	20,038
Net investment income	**2,062**	1,725
Net realized capital gains on investments	**10,305**	8,466
Net unrealized capital gains (losses) on investments	**12,358**	(1,291)
Unrealized gains (losses) due to changes in foreign exchange rates	**(7,164)**	4,865
Policyholder withdrawals	**(21,568)**	(17,928)
Business acquisition (1)	**2,844**	–
Change in General Fund investment in Segregated Fund	**(22)**	234
Net transfer from General Fund	**22**	9
Non-controlling mutual funds interest	**1,635**	343
Total	**24,450**	16,461
Balance, end of year	**$ 240,500**	$ 216,050

(1) Investment and insurance contracts on account of segregated fund policyholders acquired through the acquisition of Ark Life (note 3).

(c) Investment income on account of segregated fund policyholders

	2021	2020
Net investment income	**$ 2,062**	$ 1,725
Net realized capital gains on investments	**10,305**	8,466
Net unrealized capital gains (losses) on investments	**12,358**	(1,291)
Unrealized gains (losses) due to changes in foreign exchange rates	**(7,164)**	4,865
Total	**17,561**	13,765
Change in investment and insurance contracts liability on account of segregated fund policyholders	**17,561**	13,765
Net	**$ –**	$ –

(d) Investments on account of segregated fund policyholders by fair value hierarchy level (note 9)

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders (1)	**$ 161,465**	**$ 68,088**	**$ 13,822**	**$ 243,375**

(1) Excludes other liabilities, net of other assets, of $2,875.

	2020			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders (1)	$ 137,712	$ 67,058	$ 13,556	$ 218,326

(1) Excludes other liabilities, net of other assets, of $2,276.

14. Segregated Funds and Other Structured Entities (cont'd)

During 2021, certain foreign stock holdings valued at $2,137 have been transferred from Level 2 to Level 1 ($3,190 were transferred from Level 1 to Level 2 at December 31, 2020) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings at year-end. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

As at December 31, 2021, $5,394 ($9,770 at December 31, 2020) of the segregated funds were invested in funds managed by related parties, IG Wealth Management and Mackenzie Investments, members of the Power Corporation group of companies (note 25).

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	2021	2020
Balance, beginning of year	**$ 13,556**	$ 13,988
Total gains included in segregated fund investment income	**415**	78
Purchases	**333**	167
Sales	**(482)**	(712)
Transfers into Level 3	**4**	35
Transfers out of Level 3	**(4)**	–
Balance, end of year	**$ 13,822**	$ 13,556

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

In addition to the segregated funds, the Company has interests in a number of structured unconsolidated entities including mutual funds, open-ended investment companies, and unit trusts. These entities are created as investment strategies for its unit-holders based on the directive of each individual fund.

Some of these funds are managed by related parties of the Company and the Company receives management fees related to these services. Management fees can be variable due to performance of factors – such as markets or industries – in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

During 2021, fee and other income earned by the Company resulting from the Company's interests in segregated funds and other structured entities was $3,051 ($2,803 in 2020).

Included within other assets (note 12) at December 31, 2021 is $146 ($156 at December 31, 2020) of investments in stocks of sponsored unit trusts in Europe.

15. Debentures and Other Debt Instruments

	2021		2020	
	Carrying value	**Fair value**	Carrying value	Fair value
6.74% Debentures due November 24, 2036, unsecured (note 25)	$ **200**	$ **200**	$ 200	$ 200
6.40% Subordinated debentures due December 11, 2028, unsecured	**100**	**125**	100	135
€200 subordinated loan, matures December 7, 2031, bearing an interest rate of 2.53% until first par call date of December 7, 2026, and, thereafter, at a rate equal to the five-year euro semi-annual mid-swap rate plus 1.85%, unsecured (note 25)	**288**	**288**	310	310
Canada Life Capital Trust (CLCT)				
7.529% due June 30, 2052, unsecured, face value $150	**157**	**215**	158	222
Total	$ **745**	$ **828**	$ 768	$ 867

Capital Trust Securities

CLCT, a trust established by Canada Life, had issued $150 of Canada Life Capital Securities – Series B (CLiCS – Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of $150.

Distributions and interest on the capital trust securities are classified as financing charges in the Consolidated Statements of Earnings (note 16). The fair value for capital trust securities is determined by the bid-ask price. Refer to note 8 for financial instrument risk management disclosures.

Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time.

16. Financing Charges

Financing charges consist of the following:

	2021	2020
Interest on long-term debentures and other debt instruments	$ **27**	$ 27
Dividends on preferred shares classified as liabilities	**63**	63
Interest on capital trust securities	**11**	11
Other	**9**	12
Total	$ **110**	$ 113

17. Other Liabilities

	2021	2020
Pension and other post-employment benefits (note 23)	$ **787**	$ 1,343
Lease liabilities	**251**	281
Bank overdraft	**233**	440
Deferred income reserves	**314**	345
Other	**1,577**	1,351
Total	$ **3,162**	$ 3,760

Total other liabilities of $1,810 ($1,791 at December 31, 2020) are expected to be realized within 12 months from the reporting date. This amount excludes deferred income reserves, the changes in which are noted below.

Deferred income reserves	**2021**	2020
Balance, beginning of year	$ **345**	$ 380
Additions	**70**	51
Amortization	**(71)**	(78)
Changes in foreign exchange	**(14)**	12
Disposals	**(16)**	(20)
Balance, end of year	$ **314**	$ 345

17. Other Liabilities (cont'd)

Lease liabilities	**2021** Property		Equipment		Total	
Balance, beginning of year	**$**	**279**	**$**	**2**	**$**	**281**
Additions		**15**		**5**		**20**
Modifications		**(2)**		**–**		**(2)**
Lease payments		**(51)**		**(2)**		**(53)**
Changes in foreign exchange rates		**(2)**		**–**		**(2)**
Interest		**7**		**–**		**7**
Balance, end of year	**$**	**246**	**$**	**5**	**$**	**251**

	2020 Property		Equipment		Total	
Balance, beginning of year	$	290	$	3	$	293
Additions		28		1		29
Lease payments		(49)		(2)		(51)
Changes in foreign exchange rates		2		–		2
Interest		8		–		8
Balance, end of year	$	279	$	2	$	281

The following table presents the contractual undiscounted cash flows for lease obligations:

	2021		2020	
One year or less	**$**	**46**	$	51
Over one year to two years		**38**		44
Over two years to three years		**31**		34
Over three years to four years		**24**		29
Over four years to five years		**21**		23
Over five years		**150**		167
Total undiscounted lease obligations	**$**	**310**	$	348

18. Participating Account

The participating operations and the participating balance sheets are presented as combined or consolidated in the operations in the Company's financial statements.

The shareholder portion of participating earnings represents, as restricted by law, a portion of net earnings before policyholder dividends of the participating account, $59 in 2021 ($50 in 2020). The actual payment of the shareholder portion of participating net earnings is legally determined as a percentage of policyholder dividends paid. $82 of shareholder surplus ($74 in 2020) that has been recognized but not paid is dependent on future payment of dividends to participating policyholders. The following provides additional information related to the operations and financial position of each entity.

(a) Net earnings, participating account:

	2021	2020
Net earnings attributable to participating account before policyholder dividends	$ 1,708	$ 1,429
Policyholder dividends	(1,405)	(1,362)
Net earnings – participating account	$ 303	$ 67

(b) Participating account surplus in subsidiaries:

	2021	2020
Participating account accumulated surplus	$ 3,140	$ 2,837
Participating account accumulated other comprehensive income (loss)	(14)	21
Total	$ 3,126	$ 2,858

(c) Participating account – other comprehensive income:

The other comprehensive income (loss) attributable to the participating account for the year ended December 31, 2021 was $(35) ($46 for the year ended December 31, 2020).

19. Non-Controlling Interests

The net earnings attributable to non-controlling interests in the Consolidated Statements of Earnings for the year ended December 31, 2021 was $3 ($2 for the year ended December 31, 2020). Non-controlling interests on the Consolidated Balance Sheets for December 31, 2021 was $26 ($25 at December 31, 2020).

20. Share Capital

Authorized

Unlimited Common Shares

Unlimited Preferred Shares

Issued and outstanding

	2021		2020	
	Number	Carrying value	Number	Carrying value
Classified as liabilities:				
Preferred shares				
Class A, Series 6, 6.25% Cumulative First Preferred Shares	40,000,000	$ 1,000	40,000,000	$ 1,000
Classified as equity:				
Preferred shares				
Class A, Series 1, Non-Cumulative	18,000	$ –	18,000	$ –
Common shares				
Balance, beginning of year	2,407,384	$ 7,884	2,407,385	$ 8,884
Common shares converted to preferred share liability	–	–	–	(1,000)
Common shares donated by parent and cancelled	–	–	(1)	–
Balance, end of year	2,407,384	$ 7,884	2,407,384	$ 7,884

21. Capital Management

(a) Policies and Objectives

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

The Company manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of the Company's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of the Company ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholders' value in the context of the Company's operational risks and strategic plans.

The Company has established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

(b) Regulatory Capital

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries.

The Life Insurance Capital Adequacy Test (LICAT) Ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI, as the aggregate of all defined capital requirements. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

The following provides a summary of the LICAT information and ratios for Canada Life:

	2021	2020
Tier 1 Capital	**$ 12,584**	$ 11,593
Tier 2 Capital	**4,417**	4,568
Total Available Capital	**17,001**	16,161
Surplus Allowance & Eligible Deposits	**13,225**	14,226
Total Capital Resources	**$ 30,226**	$ 30,387
Required Capital	**$ 24,323**	$ 23,607
Total LICAT Ratio (OSFI Supervisory Target = 100%) (1)	**124%**	129%

(1) Total Ratio (%) = (Total Capital Resources / Required Capital)

For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2021 and December 31, 2020, all European regulated entities met the capital and solvency requirements as prescribed under Solvency II.

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2021 and December 31, 2020, the Company maintained capital levels above the minimum local regulatory requirements in each of its foreign operations.

22. Share-Based Payments

(a) Lifeco has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Canada Life and its affiliates. Lifeco's Human Resources Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Options granted prior to January 1, 2019 vest over a period of five years. Options granted on or after January 1, 2019 vest 50% three years after the grant date and 50% four years after the grant date. Options have a maximum exercise period of ten years from the grant date. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. In 2021, the maximum number of Lifeco common shares issuable under the Plan was 72,500,000.

During 2021, 2,580,500 options were granted (1,932,200 during 2020). The weighted average fair value of options granted during 2021 was $2.59 per option ($1.86 in 2020). The fair value of each option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2021: dividend yield 5.44% (5.44% in 2020), expected volatility 18.44% (15.75% in 2020), risk-free interest rate 1.19% (1.10% in 2020), and expected life of eight years (eight in 2020).

The following summarizes the changes in options outstanding and the weighted average exercise price:

	2021		2020	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding, beginning of year	**13,227,809**	**$ 32.64**	11,928,209	$ 32.58
Granted	**2,580,500**	**32.25**	1,932,200	32.22
Exercised	**(2,215,402)**	**31.09**	(361,020)	26.77
Forfeited/expired	**(143,180)**	**33.36**	(271,580)	34.72
Outstanding, end of year	**13,449,727**	**$ 32.81**	13,227,809	$ 32.64
Options exercisable at end of year	**6,683,227**	**$ 33.64**	7,912,289	$ 32.88

The weighted average share price at the date of exercise of stock options for the year ended December 31, 2021 was $36.06 ($31.86 in 2020).

Compensation expense due to the Plan transactions accounted for as equity-settled share-based payments of $4 after-tax in 2021 ($3 after-tax in 2020) has been recognized in the Consolidated Statements of Earnings.

The following summarizes information on the ranges of exercise prices including weighted average remaining contractual life at December 31, 2021:

	Outstanding			Exercisable		
Exercise price ranges	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price	Expiry
$23.16 – $36.87	483,060	0.30	28.23	476,460	28.20	2022
$27.13 – $36.87	818,540	1.30	30.61	818,540	30.61	2023
$30.28 – $36.87	1,052,968	2.32	32.66	1,052,968	32.66	2024
$34.68 – $36.87	1,202,999	3.19	35.68	1,202,999	35.68	2025
$30.28 – $36.87	1,697,660	4.20	34.22	1,697,660	34.22	2026
$36.87 – $36.87	895,900	5.16	36.87	718,020	36.87	2027
$32.99 – $34.21	1,182,500	6.16	34.20	708,180	34.20	2028
$30.28 – $32.50	1,826,400	7.16	30.34	8,400	30.28	2029
$32.22 – $32.22	1,809,800	8.16	32.22	–	–	2030
$32.10 – $38.75	2,479,900	9.16	32.26	–	–	2031

22. Share-Based Payments (cont'd)

(b) To promote greater alignment of interests between the Directors and the policyholders of the Company and shareholders of Lifeco, the Company and certain of its affiliates have mandatory DSU Plans and/or voluntary Deferred Share Unit Plans (the "Mandatory DSU Plans" and the "Voluntary DSU Plans" respectively) in which the Directors of the Company participate. Under the Mandatory DSU Plans, each Director who is a resident of Canada or the United States must receive 50% of their annual Board retainer in the form of Lifeco Deferred Share Units (DSUs). Under the Voluntary DSU Plans, each Director may elect to receive the balance of their annual Board retainer and Board Committee fees entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. In both cases, the number of DSUs granted is determined by dividing the amount of remuneration payable to the Director by the weighted average trading price per Lifeco common share on the Toronto Stock Exchange (TSX) for the last five trading days of the preceding fiscal quarter. Directors receive additional DSUs for dividends payable on the common shares of Lifeco based on the value of a DSU at the dividend payment date. DSUs are redeemable when an individual ceases to be a Director, or as applicable, an officer or employee of the Company or any of its affiliates by a lump sum cash payment, based on the weighted average trading price per Lifeco common share on the TSX for the last five trading days preceding the date of redemption. In 2021, $4 in Directors' fees were used to acquire DSUs ($5 in 2020). At December 31, 2021, the carrying value of the DSU liability is $52 ($38 in 2020) recorded within other liabilities.

Certain employees of the Company are entitled to receive DSUs. Under these DSU Plans, certain employees may elect to receive DSUs as settlement of their annual incentive plan or as settlement of PSUs issued under the Company's PSU Plan. In both cases these employees are granted DSUs equivalent to Lifeco's common shares. Employees receive additional DSUs in respect of dividends payable on the common shares based on the value of the DSUs at the time. DSUs are redeemable when an individual ceases to be an officer or employee of the Company or any of its affiliates, by a lump sum cash payment representing the value of the DSUs at that date. The Company uses the fair-value based method to account for the DSUs granted to employees under the plans. For the year ended December 31, 2021, the Company recognized compensation expense of $15 ($4 in 2020) for the DSU Plans recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2021, the carrying value of the DSU liability is $38 ($24 in 2020) recorded within other liabilities in the Consolidated Balance Sheets.

(c) Certain employees of the Company are entitled to receive PSUs. Under the PSU Plan, these employees are granted PSUs equivalent to Lifeco's common shares vesting over a three-year period. Employees receive additional PSUs in respect of dividends payable on the common shares of Lifeco based on the value of a PSU at that time. At the maturity date, employees receive cash representing the value of the PSU at this date. The Company uses the fair-value based method to account for the PSUs granted to employees under the plan. For the year ended December 31, 2021, the Company recognized compensation expense of $50 ($20 in 2020) for the PSU Plan recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2021, the carrying value of the PSU liability is $79 ($53 in 2020) recorded within other liabilities.

(d) The Company's Employee Share Ownership Plan (ESOP) is a voluntary plan where eligible employees can contribute up to 5% of their previous year's eligible earnings to purchase common shares of Lifeco. The Company matches 50% of the total employee contributions. The contributions from the Company vest immediately and are expensed. For the year ended December 31, 2021, the Company recognized compensation expense of $13 ($13 in 2020) for the ESOP recorded in operating and administrative expenses in the Consolidated Statements of Earnings.

23. Pension Plans and Other Post-Employment Benefits

Characteristics, Funding and Risk

The Company and its subsidiaries maintain contributory and non-contributory defined benefit pension plans for eligible employees and advisors. The Company and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average pay; however, these plans are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Company's defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans. Assets supporting the funded pension plans are held in separate trusteed pension funds. Obligations for the wholly unfunded plans are included in other liabilities and are supported by general assets.

New hires and active plan participants in defined benefit plans closed to future defined benefit accruals are eligible for defined contribution pension benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Employer contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Company and its subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Retirees share in the cost of benefits through deductibles, co-insurance and caps on benefits. These plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The amount of some of the post-employment benefits other than pensions depends on future cost escalation. These post-employment benefits are not pre-funded and the amount of the obligation for these benefits is included in other liabilities and is supported by general assets.

The Company and its subsidiaries have pension and benefit committees or a trusteed arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to the Company's or a subsidiary company's benefit plans require approval from that company's Board of Directors.

The funding policies of the Company and its subsidiaries for the funded pension plans require annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit pension plan asset, the Company determines if an economic benefit exists in the form of potential reductions in future contributions by the Company, from the payment of expenses from the plan and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Company to the typical risks faced by defined benefit plans such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Company.

23. Pension Plans and Other Post-Employment Benefits (cont'd)

The following reflects the financial position of the contributory and non-contributory defined benefit plans of the Company and its subsidiaries:

(a) Plan Assets, Benefit Obligation and Funded Status

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	**$ 7,012**	$ 6,426	**$ –**	$ –
Interest income	**145**	161	**–**	–
Actual return over (less than) interest income	**459**	391	**–**	–
Employer contributions	**102**	146	**18**	16
Employee contributions	**18**	15	**–**	–
Benefits paid	**(273)**	(251)	**(18)**	(16)
Settlements	**(142)**	(11)	**–**	–
Administrative expenses	**(4)**	(4)	**–**	–
Foreign exchange rate changes	**(193)**	139	**–**	–
Fair value of plan assets, end of year	**$ 7,124**	$ 7,012	**$ –**	$ –
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	**$ 7,711**	$ 7,044	**$ 375**	$ 358
Current service cost	**91**	88	**–**	–
Interest cost	**161**	178	**9**	11
Employee contributions	**18**	15	**–**	–
Benefits paid	**(273)**	(251)	**(18)**	(16)
Curtailments and termination benefits	**(1)**	(11)	**–**	–
Settlements	**(200)**	(14)	**–**	–
Actuarial loss (gain) on financial assumption changes	**(112)**	513	**(24)**	25
Actuarial loss (gain) on demographic assumption changes	**(14)**	(3)	**–**	–
Actuarial loss (gain) arising from member experience	**(20)**	16	**(2)**	(3)
Foreign exchange rate changes	**(194)**	136	**–**	–
Defined benefit obligation, end of year	**$ 7,167**	$ 7,711	**$ 340**	$ 375
Asset (liability) recognized on the Consolidated Balance Sheets				
Funded status of plans – surplus (deficit)	**$ (43)**	$ (699)	**$ (340)**	$ (375)
Unrecognized amount due to asset ceiling	**(41)**	(29)	**–**	–
Asset (liability) recognized on the Consolidated Balance Sheets	**$ (84)**	$ (728)	**$ (340)**	$ (375)
Recorded in:				
Other assets (note 12)	**$ 363**	$ 240	**$ –**	$ –
Other liabilities (note 17)	**(447)**	(968)	**(340)**	(375)
Asset (liability) recognized on the Consolidated Balance Sheets	**$ (84)**	$ (728)	**$ (340)**	$ (375)
Analysis of defined benefit obligation				
Wholly or partly funded plans	**$ 6,904**	$ 7,426	**$ –**	$ –
Wholly unfunded plans	**$ 263**	$ 285	**$ 340**	$ 375

Under IFRIC 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Company must assess whether each pension plan's asset has economic benefit to the Company through future contribution reductions, from the payment of expenses from the plan, or surplus refunds; in the event the Company is not entitled to a benefit, a limit or 'asset ceiling' is required on the balance. The following provides a breakdown of the changes in the asset ceiling:

	Defined benefit pension plans	
	2021	2020
Change in asset ceiling		
Asset ceiling, beginning of year	**$ 29**	$ 37
Interest on asset ceiling	**1**	1
Change in asset ceiling	**11**	(11)
Foreign exchange rate changes	**–**	2
Asset ceiling, end of year	**$ 41**	$ 29

(b) Pension and Other Post-Employment Benefits Expense

The total pension and other post-employment benefit expense included in operating expenses and other comprehensive income are as follows:

	All pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Defined benefit current service cost	**$ 109**	$ 103	**$ –**	$ –
Defined contribution current service cost	**80**	77	**–**	–
Employee contributions	**(18)**	(15)	**–**	–
Employer current service cost	**171**	165	**–**	–
Administrative expense	**4**	4	**–**	–
Curtailments	**(1)**	(11)	**–**	–
Settlements	**(58)**	(3)	**–**	–
Net interest cost	**17**	18	**9**	11
Expense – profit or loss	**133**	173	**9**	11
Actuarial (gain) loss recognized	**(146)**	526	**(26)**	22
Return on assets (greater) less than assumed	**(459)**	(391)	**–**	–
Change in the asset ceiling	**11**	(11)	**–**	–
Re-measurements – other comprehensive (income) loss	**(594)**	124	**(26)**	22
Total expense (income) including re-measurements	**$ (461)**	$ 297	**$ (17)**	$ 33

(c) Asset Allocation by Major Category Weighted by Plan Assets

	Defined benefit pension plans	
	2021	2020
Equity securities	**39%**	40%
Debt securities	**50%**	48%
Real estate	**8%**	7%
Cash and cash equivalents	**3%**	5%
Total	**100%**	100%

No plan assets are directly invested in the Company's or related parties' securities. Plan assets include investments in segregated funds and other funds managed by subsidiaries of the Company of $6,978 at December 31, 2021 and $6,866 at December 31, 2020, of which $6,900 ($6,785 at December 31, 2020) are included on the Consolidated Balance Sheets. Plan assets do not include any property occupied or other assets used by the Company.

23. Pension Plans and Other Post-Employment Benefits (cont'd)

(d) Details of Defined Benefit Obligation

(i) Portion of Defined Benefit Obligation Subject to Future Salary Increases

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Benefit obligation without future salary increases	**$ 6,567**	$ 7,050	**$ 340**	$ 375
Effect of assumed future salary increases	**600**	661	**–**	–
Defined benefit obligation	**$ 7,167**	$ 7,711	**$ 340**	$ 375

The other post-employment benefits are not subject to future salary increases.

(ii) Portion of Defined Benefit Obligation Without Future Pension Increases

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Benefit obligation without future pension increases	**$ 6,343**	$ 7,075	**$ 340**	$ 375
Effect of assumed future pension increases	**824**	636	**–**	–
Defined benefit obligation	**$ 7,167**	$ 7,711	**$ 340**	$ 375

The other post-employment benefits are not subject to future pension increases.

(iii) Maturity Profile of Plan Membership

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Actives	**43%**	43%	**9%**	9%
Deferred vesteds	**17%**	18%	**n/a**	n/a
Retirees	**40%**	39%	**91%**	91%
Total	**100%**	100%	**100%**	100%
Weighted average duration of defined benefit obligation	**18.1 years**	19.3 years	**11.9 years**	11.9 years

(e) Cash Flow Information

	Pension plans	Other post-employment benefits	Total
Expected employer contributions for 2022:			
Funded (wholly or partly) defined benefit plans	$ 80	$ –	$ 80
Unfunded plans	12	20	32
Defined contribution plans	85	–	85
Total	**$ 177**	**$ 20**	**$ 197**

(f) Actuarial Assumptions and Sensitivities

(i) Actuarial Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
To determine benefit cost:				
Discount rate – past service liabilities	**2.1%**	2.5%	**2.5%**	3.1%
Discount rate – future service liabilities	**2.8%**	3.2%	**2.8%**	3.2%
Rate of compensation increase	**3.0%**	2.9%	**–**	–
Future pension increases (1)	**1.2%**	1.3%	**–**	–
To determine defined benefit obligation:				
Discount rate – past service liabilities	**2.5%**	2.1%	**3.1%**	2.5%
Rate of compensation increase	**3.1%**	2.9%	**–**	–
Future pension increases (1)	**1.7%**	1.0%	**–**	–
Medical cost trend rates:				
Initial medical cost trend rate			**4.6%**	4.6%
Ultimate medical cost trend rate			**4.0%**	4.0%
Year ultimate trend rate is reached			**2040**	2040

(1) Represents the weighted average of plans subject to future pension increases.

(ii) Sample Life Expectancies Based on Mortality Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2021	2020	**2021**	2020
Sample life expectancies based on mortality assumption:				
Male				
Age 65 in fiscal year	**22.9**	23.0	**22.7**	22.7
Age 65 for those age 35 in the fiscal year	**24.8**	24.9	**24.2**	24.2
Female				
Age 65 in fiscal year	**25.0**	25.1	**25.1**	25.0
Age 65 for those age 35 in the fiscal year	**26.9**	27.0	**26.4**	26.4

The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty, and judgment is required in establishing this assumption. As mortality assumptions are significant in measuring the defined benefit obligation, the mortality assumptions applied by the Company take into consideration such factors as age, gender and geographic location, in addition to an estimation of future improvements in longevity.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practice. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of $221 for the defined benefit pension plans and $12 for other post-employment benefits.

(iii) Impact of Changes to Assumptions on Defined Benefit Obligation

	1% increase		1% decrease	
	2021	2020	**2021**	2020
Defined benefit pension plans:				
Impact of a change to the discount rate	**$ (1,111)**	$ (1,251)	**$ 1,461**	$ 1,663
Impact of a change to the rate of compensation increase	**299**	328	**(269)**	(291)
Impact of a change to the rate of inflation	**578**	662	**(507)**	(569)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	**21**	27	**(18)**	(23)
Impact of a change to the discount rate	**(34)**	(40)	**40**	48

To measure the impact of a change in an assumption, all other assumptions were held constant. It is expected that there would be interaction between at least some of the assumptions.

24. Accumulated Other Comprehensive Income (Loss)

	2021								
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on hedges of the net investment in foreign operations	Unrealized gains (losses) on available-for-sale assets	Re-measurements on defined benefit pension and other post-employment benefit plans	Revaluation surplus on transfer to investment properties	Total	Non-controlling interests	Participating account	Shareholder
Balance, beginning of year	**$ 672**	**$ –**	**$ 228**	**$ (814)**	**$ 10**	**$ 96**	**$ 2**	**$ 21**	**$ 73**
Other comprehensive income (loss)	**(403)**	**(11)**	**(247)**	**620**	**–**	**(41)**	**(2)**	**(47)**	**8**
Income tax	**–**	**3**	**47**	**(170)**	**–**	**(120)**	**–**	**12**	**(132)**
	(403)	**(8)**	**(200)**	**450**	**–**	**(161)**	**(2)**	**(35)**	**(124)**
Balance, end of year	**$ 269**	**$ (8)**	**$ 28**	**$ (364)**	**$ 10**	**$ (65)**	**$ –**	**$ (14)**	**$ (51)**

	2020								
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on hedges of the net investment in foreign operations	Unrealized gains (losses) on available-for-sale assets	Re-measurements on defined benefit pension and other post-employment benefit plans	Revaluation surplus on transfer to investment properties	Total	Non-controlling interests	Participating account	Shareholder
Balance, beginning of year	$ 433	$ –	$ 134	$ (704)	$ –	$ (137)	$ –	$ (25)	$ (112)
Other comprehensive income (loss)	241	–	123	(146)	11	229	2	63	164
Income tax	(2)	–	(29)	36	(1)	4	–	(17)	21
	239	–	94	(110)	10	233	2	46	185
Balance, end of year	$ 672	$ –	$ 228	$ (814)	$ 10	$ 96	$ 2	$ 21	$ 73

25. Related Party Transactions

Great-West Lifeco Inc. is the parent of the Company. As such, the Company is related to Great-West Lifeco Inc. and its other major operating subsidiaries including GWL&A and Putnam Investments, LLC. In addition, Great-West Lifeco Inc. is a member of the Power Corporation group of companies. Through this relationship, the Company is also related to the Power Corporation group of companies which includes IGM, a company in the financial services sector along with its subsidiaries IG Wealth Management, Mackenzie Financial and Investment Planning Council and Pargesa, a holding company with substantial holdings in a diversified industrial group based in Europe.

(a) Principal subsidiaries

The consolidated financial statements of the Company include the operations of the following subsidiaries and their subsidiaries:

Company	Incorporated in	Primary business operation	% Held
GWL Realty Advisors Inc.	Canada	Real estate investment management	100.00%
Canada Life Limited	United Kingdom	Insurance and wealth management	100.00%
Irish Life Assurance p.l.c	Ireland	Insurance and wealth management	100.00%

(b) Transactions with related parties included in the consolidated financial statements

Reinsurance Transactions

A subsidiary of the Company has agreements with GWL&A, an affiliated company, to assume certain life business. In 2021, for the Consolidated Statements of Earnings, these transactions resulted in an increase in total net premiums of $2,350 ($1,623 in 2020) and total paid or credited to policyholders of $2,334 ($1,610 in 2020). The transactions were at market terms and conditions.

During 2005, Great-West Life & Annuity Insurance Company of South Carolina (GWSC), an affiliated company, assumed on a coinsurance basis with funds withheld, certain of Canada Life's U.S. term life reinsurance business. During 2007, an additional amount of U.S term life reinsurance business was retroceded by Canada Life to GWSC. In 2021, for the Consolidated Statements of Earnings, these transactions resulted in a reduction in total net premiums of $80 ($82 in 2020) and total paid or credited to policyholders of $109 ($89 in 2020). These transactions were at market terms and conditions.

Other Related Party Transactions

In the normal course of business, the Company provided insurance benefits and other services to other companies within the Power Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, the Company provided to and received from IGM and its subsidiaries, a member of the Power Corporation group of companies, certain administrative and information technology services. During the year, the Company and IGM executed a termination agreement covering the transition of shared information technology services from the Company to alternate providers over a number of years. The Company also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. In addition, the Company provided distribution services to IGM. All transactions were provided at market terms and conditions.

The Company owns 9,200,448 shares representing a 3.85% ownership interest in IGM. The Company uses the equity method to account for its investment in IGM as it exercises significant influence. In 2021, the Company recognized $33 for the equity method share of IGM net earnings and received dividends of $21 from its investment in IGM (note 6).

During the year ended December 31, 2020, the Company completed the sale of GLC Asset Management Group Ltd to Mackenzie. The Company recorded a gain on disposal of $143 after-tax, net of restructuring and other one-time costs of $16 after-tax ($22 pre-tax) in 2020.

During 2019, the Company redeemed $1,000 of the $2,000 3.75% debenture issued to Lifeco in 2013. Also redeemed were $1,000 of the $2,000 in preferred shares of a wholly-owned subsidiary of Lifeco. The Company has a legally enforceable right to settle the remaining amounts of these financial instruments on a net basis and the Company intends to exercise this right. Accordingly, the remaining amounts of the investment and debenture are offset in the consolidated financial statements of the Company.

During 2008, the Company issued $2,000 of 7.127% debentures to Lifeco. The Company made a corresponding investment of $2,000 in preferred shares of a wholly-owned subsidiary of Lifeco. The Company also issued $1,200 of 5.75% debentures to Lifeco in 2003. The Company made a corresponding investment of $1,200 in preferred shares of a wholly-owned subsidiary of Lifeco. The Company has legally enforceable rights to settle these financial instruments on a net basis, and the Company intends to exercise these rights. Accordingly the investments and debentures are offset in the consolidated financial statements of the Company.

Segregated funds of the Company were invested in funds managed by IG Wealth Management and Mackenzie Investments. Mackenzie Investments also manages certain of the Company's portfolio investments. The Company also has interests in mutual funds, open-ended investment companies and unit trusts. Some of these funds are managed by related parties of the Company and the Company receives management fees related to these services. All transactions were provided at market terms and conditions (note 14).

25. Related Party Transactions (cont'd)

The Company held debentures issued by IGM; the interest rates and maturity dates are as follows:

	2021	2020
3.44%, matures January 26, 2027	**$ 21**	$ 22
6.65%, matures December 13, 2027	**16**	17
7.45%, matures May 9, 2031	**13**	14
7.00%, matures December 31, 2032	**14**	14
4.56%, matures January 25, 2047	**24**	25
4.115%, matures December 9, 2047	**11**	12
4.174%, matures July 13, 2048	**6**	6
Total	**$ 105**	$ 110

During 2021, the Company purchased residential mortgages of $12 from IGM ($21 in 2020).

On December 22, 2020 the Company was issued from Great-West Lifeco U.S. LLC, an affiliated entity, a U.S. $65 ($83 at December 31, 2021), 5 year loan with an annual interest rate of 1.25%. During 2021, interest income of $1 is included in the Consolidated Statements of Earnings.

On December 7, 2016 the Company issued to Lifeco a €200 ($288 at December 31, 2021), 15 year loan with an annual interest rate of 2.53% until first par call date of December 7, 2026, and, thereafter at a rate equal to the five-year euro semi-annual mid-swap rate plus 1.85% (note 15). During 2021, interest expense of $8 ($8 in 2020) is included in the Consolidated Statements of Earnings.

The Company has 6.74% debentures due to Lifeco, its parent, which have an outstanding balance of $200 ($200 in 2020). Financing charges of $13 is included in the Consolidated Statements of Earnings ($13 in 2020).

(c) Key management compensation

Key management personnel constitute those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director. The individuals that comprise the key management personnel are the Board of Directors as well as certain key management and officers.

The following describes all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Company and its subsidiaries:

	2021	2020
Salary	**$ 16**	$ 18
Share-based awards	**12**	12
Option-based awards	**6**	6
Annual non-equity incentive plan compensation	**8**	8
Pension value	**(1)**	1
Total	**$ 41**	$ 45

26. Income Taxes

(a) Components of the income tax expense

(i) Income tax recognized in Consolidated Statements of Earnings

Current income tax

	2021	2020
Total current income tax	**$ 132**	$ 255

Deferred income tax

	2021	2020
Origination and reversal of temporary differences	**$ 116**	$ (222)
Effect of changes in tax rates or imposition of new income taxes	**22**	6
Tax expense arising from unrecognized tax losses and tax credits	**4**	3
Total deferred income tax	**$ 142**	$ (213)
Total income tax expense	**$ 274**	$ 42

(ii) Income tax recognized in other comprehensive income (note 24)

	2021	2020
Current income tax expense (recovery)	**$ (34)**	$ 24
Deferred income tax expense (recovery)	**154**	(28)
Total	**$ 120**	$ (4)

(b) The effective income tax rate reported in the Consolidated Statements of Earnings varies from the combined Canadian federal and provincial income tax rate of 26.50% for the following items:

	2021		2020	
Earnings before income taxes	**$ 3,448**		$ 2,918	
Combined basic Canadian federal and provincial tax rate	**914**	**26.50%**	773	26.50%
Increase (decrease) in the income tax rate resulting from:				
Non-taxable investment income [(1)]	**(286)**	**(8.29)**	(363)	(12.45)
Operations outside of Canada subject to a lower average foreign tax rate	**(369)**	**(10.70)**	(374)	(12.82)
Impact of rate changes on deferred income taxes	**22**	**0.64**	6	0.21
Other	**(7)**	**(0.20)**	–	–
Total income tax expense and effective income tax rate	**$ 274**	**7.95%**	$ 42	1.44%

(1) In 2020, a $64 tax benefit from the non-taxable gains on the sale of the shares of GLC and IPSI reduced the effective income tax rate by 2.19 points.

(c) Composition and changes in net deferred income tax liabilities are as follows:

2021	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	**$ (423)**	**$ (458)**	**$ 419**	**$ (235)**	**$ 143**	**$ 200**	**$ (354)**
Recognized in Statements of Earnings	**(29)**	**(60)**	**(31)**	**(46)**	**1**	**23**	**(142)**
Recognized in Statements of Comprehensive Income	**–**	**17**	**–**	**–**	**–**	**(171)**	**(154)**
Acquired in business acquisitions	**–**	**(1)**	**1**	**(17)**	**–**	**(4)**	**(21)**
Foreign exchange rate changes and other	**(17)**	**(2)**	**(5)**	**7**	**–**	**32**	**15**
Balance, end of year	**$ (469)**	**$ (504)**	**$ 384**	**$ (291)**	**$ 144**	**$ 80**	**$ (656)**

26. Income Taxes (cont'd)

	2020						
	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	$ (633)	$ (386)	$ 345	$ (240)	$ 167	$ 128	$ (619)
Recognized in Statements of Earnings	209	(76)	44	10	(24)	50	213
Recognized in Statements of Comprehensive Income	–	(6)	–	–	–	34	28
Recognized in Statements of Changes in Equity	–	–	–	–	–	–	–
Acquired in business acquisitions	–	–	–	(1)	–	1	–
Foreign exchange rate changes and other	1	10	30	(4)	–	(13)	24
Balance, end of year	$ (423)	$ (458)	$ 419	$ (235)	$ 143	$ 200	$ (354)

	2021	2020
Recorded on Consolidated Balance Sheets:		
Deferred tax assets	$ **266**	$ 232
Deferred tax liabilities	**(922)**	(586)
Total	$ **(656)**	$ (354)

A deferred income tax asset is recognized for deductible temporary differences and unused losses and carryforwards only to the extent that realization of the related income tax benefit through future taxable profits is probable.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred income tax assets. The Company's annual financial planning process provides a significant basis for the measurement of deferred income tax assets.

Management assesses the recoverability of the deferred income tax assets carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets as of December 31, 2021 are recoverable.

At December 31, 2021, the Company has recognized a deferred tax asset of $384 ($419 in 2020) on tax loss carryforwards totaling $1,818, of which $661 expire between 2022 and 2041 while $1,157 have no expiry date. The Company will realize this benefit in future years through a reduction in current income taxes payable.

The Company has not recognized a deferred tax asset of $40 ($34 in 2020) on tax loss carryforwards totaling $198 ($168 in 2020). Of this amount, $104 expire between 2022 and 2038 while $94 have no expiry date. In addition, the Company has not recognized a deferred tax asset of $20 ($21 in 2020) on other temporary differences of $94 ($99 in 2020) associated with investments in subsidiaries, branches, and associates.

A deferred income tax liability has not been recognized in respect of the temporary differences associated with investments in subsidiaries, branches and associates as the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

27. Operating and Administrative Expenses

	2021	2020
Salaries and other employee benefits	$ **2,165**	$ 2,093
General and administrative	**884**	787
Interest expense on leases	**7**	8
Amortization of fixed assets	**77**	79
Depreciation of right-of-use assets	**42**	44
Total	$ **3,175**	$ 3,011

28. Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end-user of various derivative financial instruments. It is the Company's policy to transact in derivatives only with the most creditworthy financial intermediaries. Note 8 discloses the credit quality of the Company's exposure to counterparties. Credit risk equivalent amounts are presented net of collateral received, including initial margin on exchange-traded derivatives, of $65 as at December 31, 2021 ($141 at December 31, 2020).

(a) The following summarizes the Company's derivative portfolio and related credit exposure using the following definitions of risk as prescribed by OSFI:

Maximum Credit Risk	The total replacement cost of all derivative contracts with positive values.
Future Credit Exposure	The potential future credit exposure is calculated based on a formula prescribed by OSFI. The factors prescribed by OSFI for this calculation are based on derivative type and duration.
Credit Risk Equivalent	The sum of maximum credit risk and the potential future credit exposure less any collateral held.
Risk Weighted Equivalent	Represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by OSFI.

	2021				
	Notional amount	**Maximum credit risk**	**Future credit exposure**	**Credit risk equivalent**	**Risk weighted equivalent**
Interest rate contracts					
Swaps	$ 3,920	$ 194	$ 44	$ 235	$ 5
Futures – short	146	–	–	–	–
	4,066	194	44	235	5
Foreign exchange contracts					
Cross-currency swaps	16,635	285	1,002	1,257	24
Forward contracts	4,381	50	64	98	1
	21,016	335	1,066	1,355	25
Other derivative contracts					
Equity contracts	1,952	52	117	156	–
Futures – long	14	–	–	–	–
Futures – short	560	1	–	–	–
	2,526	53	117	156	–
Total	$ 27,608	$ 582	$ 1,227	$ 1,746	$ 30

	2020				
	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
Interest rate contracts					
Swaps	$ 2,338	$ 311	$ 25	$ 314	$ 6
Futures – short	190	–	–	–	–
	2,528	311	25	314	6
Foreign exchange contracts					
Cross-currency swaps	13,379	286	879	1,061	21
Forward contracts	2,940	53	51	99	1
	16,319	339	930	1,160	22
Other derivative contracts					
Equity contracts	599	18	36	52	–
Futures – long	13	–	–	–	–
Futures – short	682	1	–	–	–
	1,294	19	36	52	–
Total	$ 20,141	$ 669	$ 991	$ 1,526	$ 28

28. Derivative Financial Instruments (cont'd)

(b) The following provides the notional amount, term to maturity and estimated fair value of the Company's derivative portfolio by category:

	2021				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1 year to 5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Swaps	$ 486	$ 760	$ 2,674	$ 3,920	$ 160
Futures – short	146	–	–	146	–
	632	760	2,674	4,066	160
Foreign exchange contracts					
Cross-currency swaps	2,556	3,181	10,898	16,635	(650)
Forward contracts	2,376	–	–	2,376	(4)
	4,932	3,181	10,898	19,011	(654)
Other derivative contracts					
Equity contracts	1,952	–	–	1,952	52
Futures – long	14	–	–	14	–
Futures – short	560	–	–	560	(3)
	2,526	–	–	2,526	49
Fair value hedges					
Foreign exchange forward contracts	78	–	–	78	(1)
Net investment hedges					
Foreign exchange forward contracts	1,409	518	–	1,927	23
Total	$ 9,577	$ 4,459	$ 13,572	$ 27,608	$ (423)

	2020				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1 year to 5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Swaps	$ 268	$ 572	$ 1,498	$ 2,338	$ 277
Options purchased	190	–	–	190	–
	458	572	1,498	2,528	277
Foreign exchange contracts					
Cross-currency swaps	894	2,641	9,844	13,379	(822)
Forward contracts	1,550	–	–	1,550	32
	2,444	2,641	9,844	14,929	(790)
Other derivative contracts					
Equity contracts	599	–	–	599	18
Futures – long	13	–	–	13	–
Futures – short	682	–	–	682	(4)
	1,294	–	–	1,294	14
Fair value hedge					
Foreign exchange forward contracts	74	–	–	74	3
Net investment hedges					
Foreign exchange forward contracts	786	530	–	1,316	15
Total	$ 5,056	$ 3,743	$ 11,342	$ 20,141	$ (481)

Futures contracts included in the above are exchange traded contracts; all other contracts are over-the-counter.

(c) *Interest Rate Contracts*

Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities. Interest-rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Call options grant the Company the right to enter into a swap with predetermined fixed-rate payments over a predetermined time period on the exercise date. Call options are used to hedge minimum rate guarantees.

Foreign Exchange Contracts

Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with investment activities and insurance and investment contract liabilities. Under these swaps principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Company also enters into certain foreign exchange forward contracts to hedge certain product liabilities.

Other Derivative Contracts

Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage potential credit risk impact of significant declines in certain equity markets.

29. Legal Provisions and Contingent Liabilities

The Company and its subsidiaries are from time-to-time subject to legal actions, including arbitrations and class actions. Provisions are established if, in management's judgment, it is probable a payment will be required and the amount of the payment can be reliably estimated. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Company. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Company. Actual results could differ from management's best estimates.

30. Commitments

(a) Letters of Credit

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities is U.S. $1,825 of which U.S. $1,521 were issued as of December 31, 2021.

The Capital and Risk Solutions business unit periodically uses letters of credit as collateral under certain reinsurance contracts for on balance sheet policy liabilities.

(b) Investment Commitments

Commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions were $2,431 as at December 31, 2021, with $2,243 maturing within one year and $188 maturing within two years.

(c) Pledged Assets

In addition to the assets pledged by the Company disclosed elsewhere in the consolidated financial statements:

(i) The amount of assets included in the Company's balance sheet which have a security interest by way of pledging is $1,263 ($1,421 at December 31, 2020) in respect of reinsurance agreements.

In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.

(ii) The Company has pledged, in the normal course of business, $56 ($57 at December 31, 2020) of assets of the Company for the purpose of providing collateral for the counterparty.

31. Segmented Information

The major operating segments of the Company are the participating and shareholder operations. Within these segments the major business units are: Canada, Europe, Capital and Risk Solutions and Corporate. These business units reflect the Company's management structure and internal financial reporting. Each of these segments operates in the financial services industry and the revenues from these business units are derived principally from life insurance, health insurance, retirement and investment services, and reinsurance businesses. Business activities and operations in the United States and those that are not associated with the specific business units are attributed to Corporate.

(a) Consolidated Net Earnings

	2021						
	Shareholder					Participating	
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 8,779	$ 4,861	$ 29,438	$ 2,342	$ 45,420	$ 5,189	$ 50,609
Net investment income							
Regular net investment income	1,231	1,316	211	55	2,813	1,689	4,502
Changes in fair value through profit or loss	(816)	(1,390)	(295)	13	(2,488)	1,248	(1,240)
Total net investment income (loss)	415	(74)	(84)	68	325	2,937	3,262
Fee and other income	1,933	1,415	8	58	3,414	–	3,414
	11,127	6,202	29,362	2,468	49,159	8,126	57,285
Benefits and expenses							
Paid or credited to policyholders	6,743	3,186	28,604	2,349	40,882	6,912	47,794
Other (1)	2,783	1,736	195	102	4,816	952	5,768
Financing charges	–	–	9	101	110	–	110
Amortization of finite life intangible assets	78	55	–	19	152	13	165
Earnings (loss) before income taxes	1,523	1,225	554	(103)	3,199	249	3,448
Income taxes	263	154	(25)	(64)	328	(54)	274
Net earnings (loss) before non-controlling interests	1,260	1,071	579	(39)	2,871	303	3,174
Attributable to non-controlling interests	–	3	–	–	3	–	3
Net earnings (loss)	1,260	1,068	579	(39)	2,868	303	3,171
Net earnings – participating policyholder	–	–	–	–	–	303	303
Net earnings (loss) – common shareholders	$ 1,260	$ 1,068	$ 579	$ (39)	$ 2,868	$ –	$ 2,868

(1) Includes commissions, operating and administrative expenses and premium taxes.

	2020						
	Shareholder					Participating	
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 8,249	$ 3,649	$ 19,306	$ 1,618	$ 32,822	$ 5,016	$ 37,838
Net investment income							
Regular net investment income	1,257	1,311	262	223	3,053	1,706	4,759
Changes in fair value through profit or loss	1,488	1,677	389	35	3,589	1,250	4,839
Total net investment income	2,745	2,988	651	258	6,642	2,956	9,598
Fee and other income	1,697	1,366	11	59	3,133	–	3,133
	12,691	8,003	19,968	1,935	42,597	7,972	50,569
Benefits and expenses							
Paid or credited to policyholders	8,879	5,185	19,100	1,630	34,794	7,022	41,816
Other (1)	2,573	1,686	219	95	4,573	902	5,475
Financing charges	–	–	12	101	113	–	113
Amortization of finite life intangible assets	74	51	–	18	143	12	155
Restructuring expenses	–	–	–	68	68	24	92
Earnings before income taxes	1,165	1,081	637	23	2,906	12	2,918
Income taxes	175	40	(1)	(117)	97	(55)	42
Net earnings before non-controlling interests	990	1,041	638	140	2,809	67	2,876
Attributable to non-controlling interests	–	2	–	–	2	–	2
Net earnings	990	1,039	638	140	2,807	67	2,874
Net earnings – participating policyholder	–	–	–	–	–	67	67
Net earnings – common shareholders	$ 990	$ 1,039	$ 638	$ 140	$ 2,807	$ –	$ 2,807

(1) Includes commissions, operating and administrative expenses and premium taxes.

31. Segmented Information (cont'd)

(b) Consolidated Total Assets

	2021		
	Shareholder	**Participating account**	**Total**
Assets			
Invested assets	**$ 94,376**	**$ 57,828**	**$ 152,204**
Goodwill and intangible assets	**8,744**	**–**	**8,744**
Other assets	**24,111**	**845**	**24,956**
Investments on account of segregated fund policyholders	**240,500**	**–**	**240,500**
Total	**$ 367,731**	**$ 58,673**	**$ 426,404**

	2020		
	Shareholder	Participating account	Total
Assets			
Invested assets	$ 92,303	$ 53,851	$ 146,154
Goodwill and intangible assets	8,636	–	8,636
Other assets	24,683	767	25,450
Investments on account of segregated fund policyholders	216,050	–	216,050
Total	$ 341,672	$ 54,618	$ 396,290

(c) Geographic Distribution of Total Income and Assets

	2021		2020	
	Income	**Assets**	Income	Assets
Canada	**$ 19,272**	**$ 203,140**	$ 20,631	$ 186,686
International	**38,013**	**223,264**	29,938	209,604
Total	**$ 57,285**	**$ 426,404**	$ 50,569	$ 396,290

32. Comparative Figures

The Company reclassified and adjusted certain comparative figures for disclosure items to conform to the current year's presentation. These reclassifications and adjustments had no impact on the total equity or net earnings of the Company.

Independent Auditor's Report

To the Policyholders and Shareholder of The Canada Life Assurance Company

Opinion

We have audited the consolidated financial statements of The Canada Life Assurance Company (the "Company"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
February 9, 2022

Appointed Actuary's Report

To the Policyholders, Shareholder and Directors of The Canada Life Assurance Company as at December 31, 2021

I have valued the policy liabilities and reinsurance assets of The Canada Life Assurance Company for its consolidated balance sheet at December 31, 2021 and their changes in the consolidated statement of earnings for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance assets makes appropriate provision for all policy obligations and the consolidated financial statements fairly present the results of the valuation.

Linda Kerrigan

Linda Kerrigan
Fellow, Canadian Institute of Actuaries

Dublin, Ireland
February 9, 2022

Participating Policyholder Dividend Policy

This Policyholder Dividend Policy, in conjunction with the Participating Account Management Policy, has been established by the Board of Directors and applies to all participating insurance policies issued or assumed by the Company. The Board of Directors may amend this policy from time to time at its discretion. The factors most likely to be considered in deciding whether to amend this policy include changes in applicable legal or regulatory requirements, professional guidelines, industry practices or significant business changes. The Appointed Actuary has overall accountability for the administration of this policy.

Earnings arise in the participating account when the experience in the participating account for factors such as investment income, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when pricing the participating insurance policies. The Company may distribute a portion of the earnings at the discretion of the Board of Directors in accordance with this policy.

Participating insurance policies are eligible for periodic policyholder dividends. Policyholder dividends are not guaranteed. The amount of earnings to be distributed from the participating account as policyholder dividends is determined at least annually following a review of the actual experience and trends in experience.

For the open sub-accounts, the amount of earnings to be distributed is also influenced by considerations such as the need to retain earnings as surplus. Throughout the term of their policy, participating policyholders benefit from the financial strength and ongoing vitality of the Company. For policyholders in the open sub-accounts, this includes the benefit of participating account surplus. The earnings retained in the participating account surplus include items such as policyholders' contributions to surplus and the investment returns earned on assets allocated to the participating account surplus. Any contributions to surplus made by policyholders over the duration of their policy, remains part of the participating account surplus after the policy terminates. Further details on the operation of the participating account surplus is provided in the Participating Account Management Policy.

Experience can fluctuate from one period to the next, based on changes in the factors impacting participating account earnings, including volatility in the performance of investments and the resulting investment income as well as volatility in the experience for other factors. Fluctuations in experience in a given period may be smoothed into the dividend scale. The effect of such smoothing is to spread the impact of experience fluctuations into policyholder dividends over time, with the objective of achieving greater stability of dividends from one period to the next. The extent of smoothing to be used, if any, will depend on considerations such as the source and extent of the fluctuation in experience, expected trends in the future experience, and the potential impact on policyholder dividends.

Dividends may increase or decrease over time, depending on experience and expected trends in future experience. If actual experience and expected trends in future experience deteriorate over time, then dividends may reduce. Conversely, if actual experience and expected trends in future experience improve over time, then dividends may increase.

The amount distributed as policyholder dividends is divided among classes of policies by setting the policyholder dividend scale. These dividend classes are groupings of participating policies with certain product and policy attributes in common.

The Company follows the contribution principle when setting the policyholder dividend scale. This means the amount distributed as policyholder dividends is divided among dividend classes in proportion to the amount that those classes are considered to have contributed to the participating account earnings. A contribution to earnings will be made from a particular dividend class to the extent the experience for that particular class is different from the assumptions used when pricing that class of policies. When applying the contribution principle, attention is paid to achieving reasonable equity between dividend classes and between generations of policies within a dividend class, taking into account practical considerations and limits, legal and regulatory requirements, professional guidelines and industry practices. For certain policies, the policyholder dividend scale may be determined using methods designed to approximate the contribution to earnings of those policies.

The policyholder dividends are credited according to the terms of each policy. A change made by a policyholder to a policy after it is issued may, in some cases, result in a change to the policy's dividend class and thus a change to the amount of policyholder dividends credited thereafter.

In addition to periodic policyholder dividends, certain policies are eligible for additional dividends which may be payable when the policy matures or is terminated by the death of the life insured or by the surrender of the policy. The amount of any such dividends may take into consideration such elements as the type of policy, the length of time the policy has been in force and when the policy was issued.

The Company maintains separate sub-accounts for certain specific closed blocks of participating life insurance policies in many of the jurisdictions in which it operates. The closed block sub-accounts are within the Company's participating account and managed according to the operating rules established for the closed blocks. Each closed block sub-account is managed separately to distribute over time the full amount of its earnings to the participating policyholders of that closed block through policyholder dividends.

Prior to the declaration of policyholder dividends by the Board, the Appointed Actuary reports to the Board of Directors with an opinion on the fairness to participating policyholders of the proposed policyholder dividends and on their compliance with this policy, applicable legislative and regulatory requirements and applicable professional practice standards. Policy illustrations will reflect changes to the policyholder dividend scale as soon as practical.

Glossary:

The Company: The Canada Life Assurance Company, a company resulting from the amalgamation of The Great-West Life Assurance Company, The Canada Life Assurance Company, London Life Insurance Company, London Insurance Group Inc. and Canada Life Financial Corporation effective January 1, 2020.

Closed block sub-account and open sub-accounts: If a mutual insurance company demutualizes (see 'Demutualization' below), participating policyholders are divided into two categories. Eligible policies which were purchased or assumed by the company before demutualization are accounted for in what is known as the 'closed block' or 'closed block sub-account'. Those purchased or assumed after demutualization are accounted for in what is known as the 'open sub-accounts'. The closed block sub-accounts are maintained in accordance with the closed block operating rules established by the Company for the closed blocks and approved by the Office of the Superintendent of Financial Institutions.

Demutualization: Demutualization is the process of a company changing from a mutual company owned by participating policy owners to a stock company owned by shareholders.

Dividend classes: Groupings of participating policies with certain product and policy attributes in common, which are used in determining how the amount to be distributed as policyholder dividends is divided among classes of policies when setting the policyholder dividend scale.

Dividend scale: The dividend scale outlines how the total amount available for distribution as dividends will be allocated to each individual policy in the form of policyholder dividends.

Participating account earnings: Earnings arise when the experience in the participating account for factors such as investment income, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when pricing the participating insurance policies. The Company may distribute a portion of the earnings at the discretion of the Board of Directors in accordance with the Dividend Policy.

Sub-accounts: A participating account can be split into separate sub-accounts to better align the management of the accounts, including management of investments, to different parts of participating business.

Participating Account Financial Disclosure

Canada Life Participating Disclosure

(in millions of local currency)		2021		2020	
Participating Account	Accounting Item	**Open Fund**	**Closed Fund**	Open Fund	Closed Fund
Canada	**Opening surplus and accumulated other comprehensive income (AOCI)**	**$ 2,861**	**n/a**	$ 2,740	n/a
Canada Life	Net earnings (including OCI) before distributions	**1,570**	**78**	1,363	77
	Amounts transferred to shareholders under s. 461 of the ICA	**(32)**	**–**	(31)	–
$	Other transfers or accruals under s. 462 of the ICA	**(8)**	**–**	(2)	–
	Net earnings (including OCI) before payment of policyholder dividends	**1,530**	**78**	1,330	77
	Policyholder dividends distributed during the year	**(1,260)**	**(78)**	(1,209)	(77)
	Closing surplus and accumulated other comprehensive income (AOCI)	**$ 3,131**	**n/a**	$ 2,861	n/a
	Total assets at year end	**$ 49,589**	**$ 2,997**	$ 45,255	$ 2,998
	Section 461 transfer as a % of total distributions	**2.50%**	**n/a**	2.50%	n/a

(in millions of local currency)		2021		2020	
Participating Account	Accounting Item	**Open Fund**	**Closed Fund**	Open Fund	Closed Fund
Canada Crown Life $	**Opening surplus and accumulated other comprehensive income (AOCI)**		**n/a**		n/a
	Net earnings (including OCI) before distributions		**4**		5
	Amounts transferred to shareholders under s. 461 of the ICA		**–**		–
	Other transfers or accruals under s. 462 of the ICA		**–**		–
	Net earnings (including OCI) before payment of policyholder dividends		**4**		5
	Policyholder dividends distributed during the year		**(4)**		(5)
	Closing surplus and accumulated other comprehensive income (AOCI)		**n/a**		n/a
	Total assets at year end		**$ 1,036**		$ 1,081
	Section 461 transfer as a % of total distributions		**n/a**		n/a
Canada New York Life $	**Opening surplus and accumulated other comprehensive income (AOCI)**		**n/a**		n/a
	Net earnings (including OCI) before distributions		**38**		38
	Amounts transferred to shareholders under s. 461 of the ICA		**–**		–
	Other transfers or accruals under s. 462 of the ICA		**–**		–
	Net earnings (including OCI) before payment of policyholder dividends		**38**		38
	Policyholder dividends distributed during the year		**(38)**		(38)
	Closing surplus and accumulated other comprehensive income (AOCI)		**n/a**		n/a
	Total assets at year end		**$ 1,565**		$ 1,637
	Section 461 transfer as a % of total distributions		**n/a**		n/a
International Hong Kong US$	**Opening surplus and accumulated other comprehensive income (AOCI)**		**n/a**		n/a
	Net earnings (including OCI) before distributions		**8**		9
	Amounts transferred to shareholders under s. 461 of the ICA		**–**		–
	Other transfers or accruals under s. 462 of the ICA		**–**		–
	Net earnings (including OCI) before payment of policyholder dividends		**8**		9
	Policyholder dividends distributed during the year		**(8)**		(9)
	Closing surplus and accumulated other comprehensive income (AOCI)		**n/a**		n/a
	Total assets at year end		**$ 655**		$ 675
	Section 461 transfer as a % of total distributions		**n/a**		n/a
International Macau US$	**Opening surplus and accumulated other comprehensive income (AOCI)**		**n/a**		n/a
	Net earnings (including OCI) before distributions		**–**		–
	Amounts transferred to shareholders under s. 461 of the ICA		**–**		–
	Other transfers or accruals under s. 462 of the ICA		**–**		–
	Net earnings (including OCI) before payment of policyholder dividends		**–**		–
	Policyholder dividends distributed during the year		**–**		–
	Closing surplus and accumulated other comprehensive income (AOCI)		**n/a**		n/a
	Total assets at year end		$ 13		$ 13
	Section 461 transfer as a % of total distributions		**n/a**		n/a
International Pacific Rim US$	**Opening surplus and accumulated other comprehensive income (AOCI)**	**$ (9)**		$ (4)	
	Net earnings (including OCI) before distributions	**–**		(4)	
	Amounts transferred to shareholders under s. 461 of the ICA	**–**		–	
	Other transfers or accruals under s. 462 of the ICA	**–**		–	
	Net earnings (including OCI) before payment of policyholder dividends	**–**		(4)	
	Policyholder dividends distributed during the year	**–**		(1)	
	Closing surplus and accumulated other comprehensive income (AOCI)	**$ (9)**		$ (9)	
	Total assets at year end	**$ 22**		$ 23	
	Section 461 transfer as a % of total distributions	**2.50%**		2.44%	

(in millions of local currency)

Participating Account	Accounting Item	2021 Open Fund	2021 Closed Fund	2020 Open Fund	2020 Closed Fund
United States	**Opening surplus and accumulated other comprehensive income (AOCI)**	$ –	n/a	$ 1	n/a
Canada Life	Net earnings (including OCI) before distributions	4	13	2	13
	Amounts transferred to shareholders under s. 461 of the ICA	–	–	–	–
US$	Other transfers or accruals under s. 462 of the ICA	(1)	–	(1)	–
	Net earnings (including OCI) before payment of policyholder dividends	3	13	1	13
	Policyholder dividends distributed during the year	(2)	(13)	(2)	(13)
	Closing surplus and accumulated other comprehensive income (AOCI)	$ 1	n/a	$ –	n/a
	Total assets at year end	$ 193	$ 1,195	$ 193	$ 1,239
	Section 461 transfer as a % of total distributions	2.50%	n/a	2.50%	n/a
United States	**Opening surplus and accumulated other comprehensive income (AOCI)**	$ 4		$ 5	
Crown Life	Net earnings (including OCI) before distributions	(1)		2	
	Amounts transferred to shareholders under s. 461 of the ICA	–		–	
US$	Other transfers or accruals under s. 462 of the ICA	–		–	
	Net earnings (including OCI) before payment of policyholder dividends	(1)		2	
	Policyholder dividends distributed during the year	(1)		(3)	
	Closing surplus and accumulated other comprehensive income (AOCI)	$ 2		$ 4	
	Total assets at year end	$ 427		$ 465	
	Section 461 transfer as a % of total distributions	2.50%		2.50%	

Participating Account Management Policy

This Participating Account Management Policy has been established by the Board of Directors, in conjunction with the Participating Policyholder Dividend Policy, and may be amended by the Board from time to time at its discretion. The factors most likely to be considered in deciding whether to amend this policy include changes in applicable legal or regulatory requirements, professional guidelines, industry practices or significant business changes. The Appointed Actuary has overall accountability for the administration of this policy, having regard for relevant corporate policies.

The participating account is managed with regard to the Company's enterprise risk management framework through which the Board and management establish the Company's risk strategy, articulate and monitor adherence to risk appetite and risk limits and identify, measure, manage, monitor and report on risks.

As required by the Insurance Companies Act, the Company maintains accounts for its participating insurance policies separately from those maintained in respect of other policies. This facilitates the measurement of the earnings attributable to the participating account.

The participating account is maintained in respect of participating life insurance policies and small blocks of participating annuities and disability insurance policies that have been issued or assumed by the Company. The participating account is comprised of three main types of sub-accounts. The closed block sub-accounts for Canada Life, New York Life and Crown Life were established for participating insurance policies issued or assumed by the Company prior to demutualization and are comprised of the best-estimate liabilities associated with these policies. The ancillary sub-accounts are comprised of the liabilities associated with provisions for adverse deviation in respect of the policies contained in the closed block sub-accounts.

The open sub-accounts are maintained in respect of the participating insurance policies issued or assumed by the Company other than those within the closed block sub-accounts, and are comprised of the total liabilities associated with these policies, together with the participating account surplus. While some of these open sub-accounts have since been closed to new business after demutualization, the Canadian open sub-account remains open to new business. The Canadian open sub-account includes participating insurance policies issued or assumed in Canada and Bermuda.

The closed block sub-accounts are maintained in accordance with the closed block operating rules established by the Company for the closed blocks and approved by the Office of the Superintendent of Financial Institutions. The closed block operating rules govern the management of the various closed block sub-accounts, including investment income allocation, mortality costs, expense charges and taxes. The Appointed Actuary is required to provide the Superintendent and the relevant non-Canadian insurance regulators with reports and opinions about the operation of the closed block sub-accounts and ongoing compliance with the closed block operating rules as may be required.

Assets of the Company held within its general funds are allocated to the participating account and non-participating account segments for the purpose of allocating investment income to each account. Assets are allocated to each segment according to the investment guidelines established for the segments. These guidelines outline criteria for asset mix, liquidity, currency risk and interest rate risk. These guidelines are intended to recognize considerations such as the business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance of each segment. Assets allocated to a segment may from time to time be reallocated to another segment within the same account or another account provided the assets exchanged comply with the investment policy of the respective segments. Any such exchanges are effected at fair value.

The Board of Directors reviews the investment strategy of each of the sub-accounts, and on an annual basis reviews and approves investment policies which govern investment activities for the participating accounts. The investment policies outline a number of principles for investing in assets, including risk tolerance and the approach to managing investment risk. Investment risk is managed through underwriting standards, exposure limits and specific guidelines governing asset classes and investment operations. The investment policies establish limits for the concentration of assets in single geographic areas, industries, companies and types of businesses as part of the risk management process. The Company may use derivative products for risk management purposes to hedge asset and liability positions.

The Company maintains one asset segment to support the liabilities of the open sub-account for policies issued in Canada and Bermuda, and of the Canada Life closed block sub-account and ancillary sub-accounts for policies issued in Canada. The assets supporting these liabilities are notionally divided based on investment needs and objectives into: (1) investments that are used to satisfy near term policy benefits (next 10 years) and (2) investments that are used to achieve longer term objectives of the participating account.

The investments used for the near term are primarily fixed income assets. The cashflows of these assets, together with the participating policy premiums are expected to provide for the policyholder benefits for the next 10 years. These benefits include dividends, death benefits, cash surrender values and other policy benefits such as waiver of premium.

The investments used to achieve the longer term objectives include a combination of 1 to 10 year fixed income assets, a total return bond pool, and a diversified pool of common stocks, private equity and real estate. As a result, the fixed income assets held to achieve the longer term objectives are expected to mature and be reinvested several times before being used to meet the policy benefits. The focus in managing these assets is to create value by reinvesting in a disciplined manner as investment spreads, interest rate levels and equity market conditions evolve and cycle. The performance of this part of the strategy is a key driver of changes in the dividend scale interest rate and this rate is an important contributor to changes in the dividend scale.

For all other sub-accounts (that is, the closed block sub-accounts for New York Life and Crown Life), the Company invests primarily in fixed income assets across a spread of terms. The target maturity profile of these fixed income investments is shorter than the expected policy cashflows. This strategy is intended to produce returns that exhibit stability while providing policyholders with some participation in changing fixed income market conditions.

Investment income is allocated to the participating account in accordance with the Company's investment income allocation policy. Generally, investment income results are allocated directly to a segment based on the assets allocated to the segment. Each year the Appointed Actuary reviews the method used for allocating investment income to the participating account and reports to the Board of Directors on its fairness and equitableness.

Expenses and taxes incurred by the Company are allocated to the participating account in accordance with the Company's expense allocation and tax allocation policies.

Expenses are allocated by the area incurring the expense to the appropriate line of business. As a general principle, expenses are allocated to a line of business in accordance with its business activities. In addition, from time to time the Company makes significant expenditures/investments outside of regular business activities which may include but are not limited to transactions such as acquisitions, restructurings, and capital expenditures (e.g. major IT systems), the intent and effect of which is to reduce future expenses. The governing principle for fair and equitable treatment of such expenditures/investments is that expenses will be allocated to the lines of business recognizing both the benefit derived by the line of business from that expenditure/investment and the contribution made by the line of business to that expenditure/investment.

For the open sub-accounts, in general, expenses that are exclusively related to participating business are allocated directly to the participating account. Expenses related to both participating and non-participating business are allocated based on business statistics when the expenses vary based on those statistics, based on managers' estimates supported by time studies or other assessments, or in proportion to the total expenses allocated using all of the methods previously mentioned. For unusual items, management will determine and report to the Appointed Actuary the resulting allocation of expenses to each line of business, including the basis and justification for it.

For the closed block sub-accounts, expenses are charged based on pre-determined formulas in accordance with the closed block operating rules.

Taxes are allocated to the participating account using the characteristics of the participating and non-participating accounts that are determinative of the relevant tax costs. In accordance with the closed block operating rules, no taxes on profits are allocated to the closed block sub-accounts since it is expected that closed block pre-tax profit will cumulatively be zero over the lifetime of the closed block.

Each year the Appointed Actuary reviews the method used for allocating expenses and taxes to the participating account and reports to the Board of Directors on its fairness and equitableness.

Throughout the term of their policy, participating policyholders benefit from the financial strength and ongoing vitality of the Company. For policyholders in the open sub-accounts, this includes the benefit of participating account surplus, which includes the combined contributions to surplus made by, or expected to be made by, past and present participating policyholders. After their policy terminates, contributions to surplus made by policyholders remain in the participating account surplus.

The participating account surplus associated with the open sub-accounts is managed within the Company's capital management and enterprise risk management framework and with regard to regulatory requirements. Surplus is required for a number of purposes including to help ensure the Company can meet its obligations to participating policyholders, help ensure financial strength and stability of the Company, finance new business growth and acquisitions which may benefit the participating account, provide for transitions during periods of major change, and to avoid undue fluctuations in dividends; subject to items such as practical considerations and limits, legal and regulatory requirements, and industry practices.

A portion of earnings in the open sub-accounts for each financial period is retained in the participating account surplus. The earnings retained in the participating account surplus include items such as policyholders' contributions to surplus and the investment returns earned on assets allocated to the participating account surplus. The participating account surplus position is reviewed annually, having regard for the specific circumstances of the participating account. Based on the review, policyholders' future contributions to surplus may be adjusted by increasing or decreasing the dividend scale.

As permitted by the Insurance Companies Act, the Company may distribute to the shareholders a percentage of the amount distributed to policyholders from the open sub-accounts in respect of a financial year. Prior to any such distribution, the Appointed Actuary will confirm to the Board of Directors that the proposed distribution is permitted under the terms of the Insurance Companies Act. The proportion distributed to the shareholders will not exceed the prescribed amount as determined under section 461 of the Insurance Companies Act. Any distribution made to the shareholders will be published in the Company's annual report.

Under the terms of the closed block operating rules, no distribution to the shareholders may be made from the closed block sub-accounts. In accordance with the demutualization agreement, the amount by which the assets exceed the liabilities in the ancillary sub-accounts is transferred to the shareholders each quarter.

Glossary:

The Company: The Canada Life Assurance Company, a company resulting from the amalgamation of The Great-West Life Assurance Company, The Canada Life Assurance Company, London Life Insurance Company, London Insurance Group Inc. and Canada Life Financial Corporation effective January 1, 2020.

Closed block sub-account and open sub-accounts: If a mutual insurance company demutualizes (see 'Demutualization' below), participating policyholders are divided into two categories. Eligible policies which were purchased or assumed by the company before demutualization are accounted for in what is known as the 'closed block' or 'closed block sub-account'. Those purchased or assumed after demutualization are accounted for in what is known as the 'open sub-accounts'. The closed block sub-accounts are maintained in accordance with the closed block operating rules established by the Company for the closed blocks and approved by the Office of the Superintendent of Financial Institutions.

Demutualization: Demutualization is the process of a company changing from a mutual company owned by participating policy owners to a stock company owned by shareholders.

Dividend classes: Groupings of participating policies with certain product and policy attributes in common, which are used in determining how the amount to be distributed as policyholder dividends is divided among classes of policies when setting the policyholder dividend scale.

Dividend scale: The dividend scale outlines how the total amount available for distribution as dividends will be allocated to each individual policy in the form of policyholder dividends.

Participating account earnings: Earnings arise when the experience in the participating account for factors such as investment income, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when pricing the participating insurance policies. The Company may distribute a portion of the earnings at the discretion of the Board of Directors in accordance with the Dividend Policy.

Provisions for adverse deviation: The valuation of liabilities involves estimates and assumptions about future events. Because of the risk that estimates will prove incorrect, liabilities include provisions for adverse deviation from the estimates of experience relating to future events.

Total return bond pool: A portfolio of fixed income assets which is actively traded. Assets are traded in response to factors such as changing market conditions and market opportunities.

Segments: The split of the assets of the Company held within its general funds for the purpose of determining asset allocation; each segment has investment guidelines established for the segment.

Sub-accounts: A participating account can be split into separate sub-accounts to better align the management of the accounts, including management of investments, to different parts of participating business.

Undue fluctuations: One of the uses that may be made of participating account surplus in the open sub-accounts is to help avoid undue fluctuations in dividends. The use of surplus for this purpose is limited to the occurrence of extreme events, and as such, is not a common occurrence.

Sources of Earnings

The following is provided in accordance with the OSFI guideline requiring Sources of Earnings (SOE) disclosure. SOE is not an International Financial Reporting Standards (IFRS) measure. There is no standard SOE methodology. The calculation of SOE is dependent on and sensitive to the methodology, estimates and assumptions used.

SOE identifies various sources of IFRS net earnings. It provides an analysis of the difference between actual net income and expected net income based on assumptions made at the beginning of the reporting period. The terminology used in the discussion of sources of earnings is described below:

Expected Profit on In-Force Business

This component represents the portion of the consolidated net income on business in-force at the start of the reporting period that was expected to be realized based on the achievement of the best-estimate assumptions. It includes releases of provisions for adverse deviations, expected net earnings on deposits, and expected net management fees.

Impact of New Business

This component represents the point-of-sale impact on net income of writing new business during the reporting period. This is the difference between the premium received and the sum of the expenses incurred as a result of the sale and the new liabilities established at the point of sale.

Experience Gains and Losses

This component represents gains and losses that are due to differences between the actual experience during the reporting period and the best-estimate assumptions at the start of the reporting period.

Management Actions and Changes in Assumptions

This component represents the impact on net income resulting from management actions, changes in actuarial assumptions or methodology, changes in margins for adverse deviations, and correction of errors.

Other

This component represents the amounts not included in any other line of the sources of earnings.

Earnings on Surplus

This component represents the earnings on the Company's surplus funds.

Canada Life's sources of earnings are shown below for 2021 and 2020.

Sources of Earnings
(in Canadian $ millions)

	Shareholder net earnings				
For the year ended December 31, 2021	Canada	Europe	Capital and Risk Solutions	Corporate	Total
Expected profit on in-force business	$ 1,322	$ 889	$ 672	$ (14)	$ 2,869
Impact of new business	(20)	(38)	90	–	32
Experience gains and losses	279	150	(205)	(50)	174
Management actions and changes in assumptions	(58)	212	(5)	–	149
Other	–	(31)	–	–	(31)
Earnings on surplus	–	43	2	(39)	6
Net earnings before tax	1,523	1,225	554	(103)	3,199
Taxes	(263)	(154)	25	64	(328)
Net earnings before non-controlling interests	1,260	1,071	579	(39)	2,871
Non-controlling interests	–	(3)	–	–	(3)
Net earnings – shareholder	1,260	1,068	579	(39)	2,868
Preferred share dividends	–	–	–	–	–
Net earnings – common shareholder	$ 1,260	$ 1,068	$ 579	$ (39)	$ 2,868

Sources of Earnings
(in Canadian $ millions)

	Shareholder net earnings				
For the year ended December 31, 2020	Canada	Europe	Capital and Risk Solutions	Corporate	Total
Expected profit on in-force business	$ 1,286	$ 811	$ 608	$ (44)	$ 2,661
Impact of new business	(42)	(71)	(30)	–	(143)
Experience gains and losses	186	(62)	(55)	(14)	55
Management actions and changes in assumptions	(265)	304	64	158	261
Other	–	–	–	(68)	(68)
Earnings on surplus	–	99	50	(9)	140
Net earnings before tax	1,165	1,081	637	23	2,906
Taxes	(175)	(40)	1	117	(97)
Net earnings before non-controlling interests	990	1,041	638	140	2,809
Non-controlling interests	–	(2)	–	–	(2)
Net earnings – shareholder	990	1,039	638	140	2,807
Preferred share dividends	–	–	–	–	–
Net earnings – common shareholder	$ 990	$ 1,039	$ 638	$ 140	$ 2,807

Analysis of Results

Expected profit on in-force business is the major driver of earnings and accounted for 90% of pre-tax earnings in 2021. The expected profit on in-force business of $2,869 in 2021 was $208 higher than 2020. The increase year-over-year is primarily a result of higher market levels and business growth in Capital and Risk Solutions.

Gains of $32 on new business in 2021 were $175 higher than 2020 primarily due to gains on new deals in Capital and Risk Solutions and higher sales volume in Europe.

Experience gains of $174 in 2021 were $119 higher than 2020. The gains in 2021 were primarily a result of positive investment experience, favourable morbidity experience in Canada and Europe and favourable annuitant mortality experience across all regions. This was partially offset by unfavourable life mortality experience in Capital and Risk Solutions and Europe, unfavourable expense and fee-based experience across all regions, property and casualty losses in Capital and Risk Solutions and unfavourable policyholder behaviour experience in Canada. The gains in 2020 were primarily a result of positive investment experience, favorable annuitant mortality experience across all regions, and favourable morbidity experience in Canada and Europe. This was partially offset by unfavorable life mortality, and unfavourable expense and fee-based experience and unfavourable policyholder behaviour experience across all segments.

Management actions and changes in assumptions contributed $149 to pre-tax earnings in 2021 compared to $261 in 2020.

Effective October 15, 2021, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities. The revised standards include decreases to ultimate reinvestment rates, revised calibration criteria for stochastic risk-free interest rates and an increase to the maximum net credit spread on reinvestment over the long term. The impact of the revised standards is included in changes in assumptions.

In 2021, favourable economic and asset related assumption updates, modelling refinements and longevity assumption updates were partially offset by strengthening of policyholder behaviour, mortality, and morbidity assumption updates, and the impact of the new standards.

Other of $(31) in 2021 is due to transaction costs related to acquisitions and the disposition of a business in Europe.

Pre-tax earnings on surplus decreased by $134 in 2021 compared to 2020 primarily due to lower realized gains in Europe and Capital and Risk Solutions, lower other investment income across all regions and lower seed capital gains in Canada.

Subsidiaries of The Canada Life Assurance Company [1]

Name	Principal Office Address	Carrying Value [2] (in Canadian $ millions)	Voting Share Ownership
Canada Life Capital Corporation Inc.	Toronto, Ontario	$ 10,724	100%
Canada Life International Holdings Limited	Hamilton, Bermuda	6,237	100%
The Canada Life Group (U.K.) Limited	Potters Bar, Hertfordshire, England	7,567	100%
Canada Life Limited	Potters Bar, Hertfordshire, England	6,241	100%
Irish Life Group Limited	Dublin, Ireland	3,208	100%
Irish Life Assurance p.l.c.	Dublin, Ireland	1,878	100%
Canada Life Irish Holding Company Limited	Dublin, Ireland	1,462	100%
The Canada Life Insurance Company of Canada	Toronto, Ontario	1,005	100%
Quadrus Investment Services Ltd.	London, Ontario	22	100%
GWL Realty Advisors Inc.	Winnipeg, Manitoba	–	100%

(1) The table above depicts the material and certain other subsidiaries of the Company at December 31, 2021.
(2) The carrying value represents the Company's equity in its subsidiaries.

Five-Year Summary
(in Canadian $ millions except per share amounts)

At December 31	**2021**	2020	2019	2018	2017
Total assets	**$ 426,404**	$ 396,290	$ 370,664	$ 346,606	$ 341,365
Total assets under administration [(1)]	**$ 533,380**	$ 499,760	$ 507,862	$ 459,374	$ 449,237
For the Year Ended December 31					
Premiums and deposits:					
Total net premiums	**$ 50,609**	$ 37,838	$ 34,796	$ 31,803	$ 29,986
Self-funded premium equivalents (Administrative services only contracts)	**3,469**	2,964	3,295	3,068	2,827
Segregated funds deposits	**23,978**	20,038	22,264	21,133	21,748
Proprietary mutual funds and institutional deposits	**16,104**	19,254	20,841	12,234	11,256
Add back: U.S. Individual Life Insurance & Annuity Business – initial reinsurance ceded premiums	**–**	–	701	–	–
Total premiums and deposits [(1)]	**$ 94,160**	$ 80,094	$ 81,897	$ 68,238	$ 65,817
Condensed Statements of Earnings					
Income					
Total net premiums	**$ 50,609**	$ 37,838	$ 34,796	$ 31,803	$ 29,986
Net investment income					
Regular net investment income	**4,502**	4,759	4,474	4,633	4,469
Changes in fair value through profit or loss	**(1,240)**	4,839	5,672	(2,777)	1,147
Total net investment income	**3,262**	9,598	10,146	1,856	5,616
Fee and other income	**3,414**	3,133	3,324	3,217	3,070
Total income	**57,285**	50,569	48,266	36,876	38,672
Benefits and expenses					
Paid or credited to policyholders	**47,794**	41,816	39,896	28,218	30,494
Other [(2)]	**5,878**	5,588	5,421	5,276	5,094
Amortization of finite life intangible assets	**165**	155	139	121	103
Restructuring expenses	**–**	92	–	67	242
Earnings before income taxes	**3,448**	2,918	2,810	3,194	2,739
Income taxes	**274**	42	107	226	224
Net earnings before non-controlling interests	**3,174**	2,876	2,703	2,968	2,515
Attributable to non-controlling interests	**3**	2	1	–	–
Net earnings	**3,171**	2,874	2,702	2,968	2,515
Net earnings (loss) – participating account	**303**	67	10	(19)	41
Net earnings – common shareholder	**$ 2,868**	$ 2,807	$ 2,692	$ 2,987	$ 2,474
Book value per common share [(3)]	**$ 8,838**	$ 8,380	$ 8,555	$ 8,813	$ 8,224

(1) This metric is a non-GAAP financial measure, does not have standard meanings prescribed by GAAP and is not directly comparable to similar measures used by other companies. Additional information regarding this non-GAAP financial measure, including a reconciliation of such non-GAAP financial measure to a measure prescribed by GAAP, is incorporated by reference herein and can be found in the Non-GAAP Financial Measures section of the Company's 2021 Annual MD&A, available for review under the Company's profile on SEDAR at www.sedar.com.

(2) Includes commissions, operating and administrative expenses, premium taxes and financing charges.

(3) This measure is calculated by dividing the Company's common shareholder's equity by the number of common shares outstanding at the end of the period.

Directors and Senior Officers

As of February 9, 2022

Board of Directors

R. Jeffrey Orr [3,4,5,7]
Chair of the Board, Canada Life
President and Chief Executive Officer,
Power Corporation of Canada

Michael R. Amend [2,6]
Chief Digital and Information Officer,
Ford Motor Company

Deborah J. Barrett, FCPA, FCA, ICD.D [1,2,5]
Corporate Director

Robin A. Bienfait [1,6]
Chief Executive Officer,
Emnovate

Heather E. Conway [1,4,6]
Co-President and Executive Director,
Hot Docs Canadian International
Documentary Film Festival

Marcel R. Coutu [3,4,5]
Corporate Director

André Desmarais, O.C., O.Q. [3,4,6]
Deputy Chairman,
Power Corporation of Canada

Olivier Desmarais [4,5]
Chairman and Chief Executive Officer,
Power Sustainable Capital and
Senior Vice-President,
Power Corporation of Canada

Paul Desmarais, Jr., O.C., O.Q. [3,5]
Chairman,
Power Corporation of Canada

Gary A. Doer, O.M. [4,6]
Senior Business Advisor,
Dentons Canada LLP

David G. Fuller [2,5]
Corporate Director

Claude Généreux [4,5]
Executive Vice-President,
Power Corporation of Canada

Elizabeth C. Lempres [1,2,6,7]
Corporate Director

Paula B. Madoff [5,7]
Corporate Director

Paul A. Mahon [7]
President and Chief Executive Officer,
Canada Life

Susan J. McArthur [3,4,5]
Co-founder and Executive Chair,
LockDocs Inc.

T. Timothy Ryan [3,4,6]
Corporate Director

Gregory D. Tretiak, FCPA, FCA [1,6,7]
Executive Vice-President and
Chief Financial Officer,
Power Corporation of Canada

Siim A. Vanaselja, FCPA, FCA [1,6]
Corporate Director

Brian E. Walsh [3,4,7]
Principal and Chief Strategist,
Titan Advisors, LLC

Committees

1. **Audit Committee**
   Chair: Siim A. Vanaselja
2. **Conduct Review Committee**
   Chair: Deborah J. Barrett
3. **Governance and Nominating Committee**
   Chair: R. Jeffrey Orr
4. **Human Resources Committee**
   Chair: Claude Généreux
5. **Investment Committee**
   Chair: Paula B. Madoff
6. **Risk Committee**
   Chair: Gregory D. Tretiak
7. **Reinsurance Committee**
   Chair: Gregory D. Tretiak

Senior Officers

Paul A. Mahon
President and Chief Executive Officer

Arshil Jamal
President and Group Head,
Strategy, Investments, Reinsurance
and Corporate Development

David M. Harney
President and Chief Operating Officer,
Europe

Jeffrey F. Macoun
President and Chief Operating Officer,
Canada

Brian R. Allison
Executive Vice-President and
Chief Investment Officer

Graham R. Bird
Executive Vice-President and
Chief Risk Officer

Sharon C. Geraghty
Executive Vice-President and
General Counsel

Garry MacNicholas
Executive Vice-President and
Chief Financial Officer

Grace M. Palombo
Executive Vice-President and
Chief Human Resources Officer

Steven M. Rullo
Executive Vice-President and
Global Chief Information Officer

Nancy D. Russell
Senior Vice-President and
Chief Internal Auditor

David B. Simmonds
Senior Vice-President and
Global Chief Communications and
Sustainability Officer

Anne C. Sonnen
Senior Vice-President and
Chief Compliance Officer

Raman Srivastava
Executive Vice-President and
Global Chief Investment Officer

Dervla M. Tomlin
Executive Vice-President and
Chief Actuary

Jeremy W. Trickett
Senior Vice-President and
Chief Governance Offlcer

Company Information

Our corporate head office

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Want more information?

You can find out more about Canada Life's products and services and view our annual report online by visiting canadalife.com. You may request a printed copy of this annual report by emailing the Corporate Secretary's Office at corporate.secretary@canadalife.com.

The following is contact information for Canada Life's major offices. Please contact the appropriate office for inquires.

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Ireland	Irish Life Centre Lower Abbey Street Dublin 1, Ireland Phone: 353 1 704 2000 Website: irishlife.ie
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United Kingdom	Canada Life Limited Canada Life Place Potters Bar, Hertfordshire England EN6 5BA Phone: +44 1707 651 122 Website: canadalife.co.uk

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